

## Home Office to act over racist attacks

The Home Office is to begin an immediate study of racist organizations in Britain and the Home Secretary will discuss with police chiefs the feasibility of setting up units to monitor and investigate racist attacks. This was disclosed by a member of a delegation from the Joint Committee against Racial Discrimination which saw Mr Whitelaw yesterday.

### 'Thousand incidents in 18 months'

By Peter Evans  
Home Affairs Correspondent

Mr William Whitelaw, the Home Secretary, has agreed that the Home Office should begin immediately a study of racist organizations in the United Kingdom. He will discuss with police chiefs the feasibility of setting up police units to monitor and investigate racist attacks.

That was disclosed last night by Mr Gavin Grant, one of a delegation from the three political parties, the churches, and the Jewish and Asian communities which told Mr Whitelaw of an increase in racist attacks on people, property, and places of worship.

The Home Secretary is studying disturbing evidence of mounting racial tension in many parts of Britain, as the economic squeeze increases bitterness and competition for scarce jobs.

The delegation he met was from the Joint Committee against Racial Discrimination, an umbrella organization for the bodies represented and for other interested groups. They told Mr Whitelaw: "Many Asian communities now live in a state of fear. Families are converting their homes into fortresses with barricades against windows and doors."

Attackers used bricks or tried to set fire to premises. Many houses, shops, and cars had suffered repeated damage, the delegates said.

A report from the joint committee, which is being studied by Mr Whitelaw, says: "We are greatly concerned by the apparent links that exist between British racist and fascist groups and their counterparts in Europe and elsewhere, some of whom have advocated and used terrorist tactics. We would urge the Home Office to investigate these connections."

Asking the police to respond more urgently and in a more caring manner to attacks and assaults, the committee suggests that the new specialized units, which Mr Whitelaw is to discuss, should be formed on the lines of the drug, robbery or vice squads.

The report speaks of the consequences of failure to protect and defend synagogues, temples, and places of burial against attacks which, it says, are becoming more widespread. There appears to have been a rapid growth of vigilante groups, with several of them organizing self-defence training classes.

For its survey the joint committee contacted 71 community relations councils and many other bodies including community law centres, ethnic minority organizations and community groups.

## European Commission takes legal action against three states over budget dues

From Michael Hornsby  
Brussels, Feb 4

The European Commission decided here tonight to start legal proceedings against West Germany, France and Belgium for not paying their ECU budget dues in full.

The first move will be to ask the three countries to explain why they have defaulted on their payments.

If the Commission is not satisfied with the explanations given, the three member states will be asked to pay the money that is owing. Failure to do so

would mean their being taken to the European Court of Justice.

This somewhat leisurely procedure—It was open to the Commission to take swift action—suggests that Mr Gaston Thorn, President of the Commission, and his colleagues are hoping the matter can be settled out of court.

The trouble arose last December out of a dispute between member states and the Parliament over the size of a supplementary budget for 1980 and the budget for 1981.

Particularly controversial was the Parliament's decision to use the 1980 supplementary budget, which had been intended only to finance emergency aid to Jordan earthquake victims, to increase spending on regional and social policies.

All three of the accused Governments refused to pay in full their contributions to the 1980 supplementary budget, and France and West Germany earlier this week defaulted on part of their contributions to the 1981 budget.

The former Labour Cabinet ministers (who with the four sponsors bring the total to eight) are Mr Dell, Lord Diamond, Lord George-Brown and Mr Kenneth Robinson. The former junior ministers are Mr Angus Albu, Lord Donaldson of Kingsburgh, Mr Evan Luard, Mr Dick Taverne and Lord Kennet (Mr Wayland Young).

Mr Dell, aged 59, Secretary of State for Trade in Mr Callaghan's government, was recently appointed chairman of the panel of consultants planning the fourth television channel. Lord Diamond, aged 73, was Chief Secretary to the Treasury from 1964 to 1970. Lord George-Brown, aged 63, recently elected president of the separate Social Democratic Alliance, is a former

deputy leader of the Labour Party. Mr Robinson, aged 69, was Minister of Health from 1964 to 1969.

The list is most notable for possible Labour defectors. It includes people prominent in local government, and in constituency parties, such as Mr George Canning, former Lord Mayor of Birmingham, and Mr Clive Wilkinson, leader of the Birmingham City Council, and chairman of the campaign for Labour Victory. It includes Mr Paul Gouney, the Grimsby Labour agent.

Mr Thomas Ellis, the Labour MP for Wrexham, yesterday defied his constituency party's demand that he resign. He stated that he would continue as MP for the "time being"—a clear enough hint that he will join the Labour whip and resign a new breakaway party whenever it is formed.

Campaign's end, and PLP clash, page 3  
Ronald Butt column, page 14

## TUC chief in clash with Prime Minister

By Patricia Tisdall and  
Donald Macintyre

Trade union leaders crossed swords over unemployment with the Prime Minister on two occasions at yesterday's meeting of the National Economic Development Council.

Mr Les Murray, general secretary of the TUC, drew a vehement denial from Mrs Margaret Thatcher when he accused her of using unemployment to "screw down wages". The Prime Minister retorted that this was "a travesty of the truth".

Later, Mr Murray took the unusual step of interrupting the Prime Minister's summary from the chair at the end of the 90-minute discussion on the economy. He claimed she was exaggerating the amount of agreement existing between the Government, union leaders and industrialists.

Mr Murray was disappointed with the lack of response by industrialists and the Government to TUC economic proposals. "Three million unemployed was not conducive to change," he said. "Present policies would not help us to pull out of recession."

The general tone of the meeting, however, was one of coolness rather than anger. In a resume afterwards, Geoffrey Chandler, the director general of the National Economic Development Office, described it as "serious and civilized".

TUC leaders left the meeting frustrated at the lack of impact they appeared to have made on either the Government or the Confederation of British Industry with their "Economic Review" which recommended a £52m injection of funds into the economy.

Sir Raymond Penneck, the CBI's president, commenting on the TUC plan, expressed "total disagreement with the analysis of the problems and therefore with the solutions suggested".

For the TUC, Geoffrey Howe, Chancellor of the Exchequer, said that its concern about unemployment was as great as that of the TUC. Inflation and unemployment have both been getting worse over time and "there was no comfortable trade-off between the two".

He added that the Government wanted growth without inflation, and "we can only do this by improving our competitiveness". While there was no question of either the TUC's proposals or the Government's view, he said, "competitiveness and productivity were the key to success".

Observers at the meeting felt that it had achieved little more than a familiar and fundamental disagreement on economic policies.

Some progress was made on industrial relations. The CBI volunteered to do its best to help in cases where management was failing to communicate. In response to a comment by the TUC that the recession had led to a deterioration in the amount of information which "born again" managers were giving to employees.

Mr Thatcher endorsed the case for fuller disclosure of information by employers in her summing-up. She said that it was "not possible to negotiate in the absence of fact", and that she "fully supported the need for companies to supply information. We must embrace change".

She said she was "alarmed at the total lack of understanding" between the TUC and the CBI, and asked the NEC to set out its agenda on how a better understanding for competitiveness in industry could be achieved.



Basque violence: The visit of King Juan Carlos and Queen Sofia of Spain to the Basque region was marred yesterday by a violent interruption to the King's speech in the regional parliament at Guernica. About 40 members of the extreme left-wing Herri Batasuna party raised their left fists and sang a nationalist song. They were drowned out by cries of "Long live the King", but punches were

exchanged when plain-clothed security guards seized the protesting MPs (above) and dragged them from the chamber.

When the royal couple first arrived at the chamber, members of Herri Batasuna (Basque Unity) and Euskadiko Eskerra (Basque Left) remained seated during the Spanish national anthem. The singing began after the King had gone to the podium

to reply to an address welcoming him. Euskadiko Eskerra members were among those who submerged the demonstrators' chants with acclamation for the King and loud applause. Security men in traditional Basque costume pleaded with the shouting MPs to halt their demonstration, and it was only when this failed that the security guards burst into the chamber. —Reuter, Report, page 5.

## 'Die Welt' staff in fight to keep editor

From Patricia Clough  
Bonn, Feb 4

A new page in West German press history is being written with a battle by the journalists of Die Welt against alleged plans by the Axel Springer publishing house to turn their daily back into a right-wing crusading paper.

Die Welt is the most highly esteemed newspaper in the publishing empire of Herr Springer, who openly uses his press power to spread his political opinions. It participates with The Times, Le Monde and La Stampa in the monthly supplement Europa. Behind closed doors the 120 journalists have protested at what they reliably understand to be plans to remove their editor, Herr Peter Boenisch, who in the past two and a half years has made Die Welt a lively, liberal, and professionally more ethical paper.

They believe the company intends to steer it back on a far-right-wing course under the leadership of three well-known journalists of right-wing opinion: Herr Martinus Widen, a political commentator, Dr Herbert Kempf, a former editor, and Herr Wilfried Hertz Eichenrode, the newspaper's home editor.

A spokesman for the company in Berlin said today he knew nothing of such a plan. "At a meeting at the Die Welt headquarters in Bonn this week the journalists appealed to the company to keep Herr Boenisch and demanded to be allowed to work in peace and continuity. We are fighting not only for our editor but for our professional ethics," a spokesman for the journalists said. "Our dignity is at stake."

The journalists have been unsettled by constant uncertainties and changes in the newspaper, which has seen 14 editors in 15 years. "We do not dispute the right of a publisher to appoint an editor but a publisher cannot ignore the will of the journalists," the spokesman said.

Die Welt, which was founded by the British occupation authorities after the war, was for many years one of the best, if not the best, West German newspaper. In 1953 Herr Springer bought a majority share in it and in the 1960s the newspaper lost its reputation and its best journalists when he turned it into what the Germans call a political Kampfpapier, a crusading newspaper for his ideas.

Under Herr Boenisch it became probably the liveliest West German national daily. Lightweight in tone, it opened its pages to other political ideas while maintaining a basically conservative line.

## Justifiable homicide verdicts on siege

Verdicts of justifiable homicide were returned on the five terrorists killed by men of the Special Air Service Regiment at the Iranian Embassy siege in London last year. It took the jury at Westminster Coroner's Court almost an hour to reach their verdicts. When they returned, Dr Paul Knapman, the

coroner, said: "I am a little surprised it has taken you so long". The terrorists died of multiple injuries and Dr Knapman told the jury that the SAS used weapons that fired 10 rounds a second. "Ask yourselves whether it is reasonable to shoot first and ask questions afterwards," he said. "The SAS took no chances." Page 3

## Britons killed in Zimbabwe

A British couple working at a missionary school near the Mozambique border in Zimbabwe have been murdered. Mr and Mrs Donald Lale, from Watford, Hertfordshire, were missionaries with the Seventh Day Adventist Church. Mrs Lale was shot dead after two black men forced their way into their bedroom and Mr Lale was beaten to death. Page 6

## Fashion houses go bankrupt

Two more leading British fashion designers with international reputations, Ossie Clark and Thea Porter, are going out of business, victims of the textile trade's worst recession since the war. Many designers have been badly affected and only two of the five big London fashion designers have survived at full strength into 1981. Page 3

## Water offer of 10 pc rejected

After rejecting a pay offer of 10 per cent, union leaders in the water industry took the final step towards sanctioning a campaign of industrial action. Employers hinted that they might hold a secret ballot of workers. Page 2

## Hopes rise for Iran Britons

Hopes are rising that the four Britons detained in Iran might be released soon after a statement by Ayatollah Beheshti, the head of the Supreme Court in Iran, that a decision on their fate would be reached "in a few days". Page 5

## Thorsen ferries sail after pay deal

Southampton cross-Channel ferries resumed after a pay deal said by the seamen's union to be worth 14.3 per cent, but Townsend Thoresen insisted that it was a straight 12 per cent deal, well within guidelines. Page 3

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## British Aerospace shares on public offer

By Andrew Goodrick-Clarke  
Financial Editor

The Government is to inject £100m of new equity capital into British Aerospace under the terms of an offer for sale of shares in the aircraft manufacturer to the public.

So the outcome of the long-heralded public flotation of the group—the first big exercise in "privatization" apart from National Enterprise Board disposals by the Government—is that the Exchequer will benefit by only £50m.

A total of 100 million shares are being offered to the public at 150p each, thus raising £150m of which £100m will be used by the Government to subsidize the new capital.

With loan facilities of around £500m, which have been negotiated with banks, this is to help to finance the group's heavy development programme, notably on the civil side of its business, where it is involved in the development of wings for the A310, ordered by European Airbus and its own 146 feeder airline programme.

Underwriting was successfully completed in the City yesterday by Kleinwort, Benson, the issuing house. Half the equity will now be offered to the public.

The Government will end up holding between 48.37 per cent and 50 per cent of the capital, depending on the extent to which employees take up shares being offered to them.

An important condition attached to the offer is that Continued on page 17, col 3

## Japan gets a shot of instant whisky

From Peter Hinchhurst  
Tokyo, Feb 4

After the success of instant coffee, barman of the future might soon toss a teaspoon of powder into a glass of ice and water to produce scotch on the rocks, a martini or an after-dinner brandy.

A Japanese chemist has been so successful in mass producing a powder which can be converted into any form of alcohol that the Government has been forced to revise the country's regulations which tax alcoholic drinks.

Mr Jiaichi Sato, a 55-year-old chemist and president of the Sato Food Manufacturing Company of Komaki City, first patented the method in 1973 but claims he was unable to market it on a commercial basis under former official restrictions.

After a protracted wrangle Mr Sato has persuaded the Government to revise the law to include his powdered drinks as a "miscellaneous form of alcohol".

Mr Sato will at first market sake, Japan's traditional form of rice wine, as a powdered drink; but he claims he can produce instant whisky, brandy, wine and other cocktails.

The powder, which will be sold in small bags, is simply mixed with water and ice to produce an instant drink.

According to government chemists who have tested Mr Sato's drinks, sake can be produced by mixing 600 grams of powder with 1.8 litres of water. "The taste is not quite as smooth as good sake but it is very convenient and can be carried anywhere. It should prove a hit with mountaineers and hikers," a government chemist says.

In normal circumstances it is impossible to reduce alcohol to a powder form because the boiling point of alcohol is lower than that of water. As a result alcohol is lost before water evaporates.

Mr Sato claims he overcame this problem by adding dextrin to sake and then putting the liquid through a heat processing system at specified temperatures.

"Under this system water is evaporated, leaving alcohol as a powder like dry flour. When water is added again the drink regains its original properties. The flavour and taste is retained," Mr Sato claims.

A spokesman for his company says that Mr Sato is the first chemist in the world to patent a "system which can convert alcoholic drinks into instant powder on a commercial basis."

Is it called Instant Drink?

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## Threat of water men's action increases after rejection of 10%

By David Felton  
Labour Reporter

Union leaders in the water industry yesterday embarked on the final step towards sanctioning a campaign of industrial action after rejecting the employers' new 10 per cent offer.

With both sides in the industry clearly alarmed at the serious consequences of strikes by the 32,000 water and sewerage workers in England and Wales, the unions are to ask their members to reaffirm their determination to take industrial action.

The employers' previous 7.9 per cent offer was overwhelmingly rejected by the majority of the workers who made clear their desire to take action. A large body of the workers demanded an all-out national strike. The four unions in the industry are to hold meetings at branch and regional levels over the next three weeks to gauge the feelings on the new offer.

Union negotiators were confident that 10 per cent would be rejected as it did not meet their revised target of an increase similar to the 13 per cent 10-month agreement won by the miners. The employers, on the other hand, thought that industrial action was now less likely.

The employers hinted strongly that if they felt the consultation exercise mandated by the unions was unlikely to be representative of the feelings of all workers in the industry, they would hold a secret postal ballot over the heads of the unions. They have already set in train arrangements for writing to each worker urging acceptance of the offer, which would increase average weekly earnings from £108.49 to £119.41.

Mr Edmund Newall, chief union negotiator and national officer of the General and Municipal Workers' Union, said

the consultation "will not be a sham exercise. It was totally satisfactory last time and I have no doubt that it will be satisfactory this time. I would question the value of the employers holding a ballot. They may not get the answer they are looking for."

Mr Newall met negotiators from the National Union of Public Employees, the Transport and General Workers' Union and the National Union of Agricultural and Allied Workers, before reporting to the union side of the industry's negotiating body, which unanimously rejected the offer.

The unions' immediate inclination after deciding that the offer was not acceptable was apparently to give notice of strike action, but it was thought necessary to be seen to be absolutely scrupulous in consulting their members.

Sir Robert Marshall, chairman of the National Water Council, said the offer was appropriate in view of the fact that water charges are expected to rise this year by between 15 and 30 per cent. The cost of the 10 per cent offer represents a 0.8 per cent increase on the rates.

He said the council's previous offer had been increased because of the "very great certainty of industrial action if we did not make any improvements in the offer."

Asked whether industrial action might produce an improvement on the 10 per cent offer, Sir Robert said: "If the unions engage in industrial action I think it would be serious and deplorable and if that action is fully supported there would be a grave situation in the country. You know what happens when there is a grave situation in the country; negotiations are often forced on people."

Leading article, page 15

## PLP clash over chairman's ruling

By George Clark  
Political Correspondent

Another constitutional dispute broke out among Labour MPs last night over a ruling given by Mr Frederick Willey, MP for Sunderland, North, chairman of the Parliamentary Labour Party, after it rejected a move to alter the standing orders.

The move would have meant that the Cabinet of a future Labour Government would be appointed by the P.L.P., not by the Prime Minister.

The debate arose on a motion proposed by Mr Mike Thomas (Newcastle upon Tyne, East), Mr Philip Whitehead (Derby, North) and Mr Giles Radice (Chester-le-Street), who are in the centre-right of the party, suggesting that the P.L.P. should accept the principle of election of Cabinet members, and should instruct a working party to bring forward proposals.

That, in effect, forestalled a later motion on the agenda in the name of Mr Wedgwood Benn, (Bristol, South East) and Mr Eric Heffer (Liverpool, Walton), stating categorically that "the Cabinet shall be elected each session by the P.L.P. on the same basis as the Parliamentary Committee [the Shadow Cabinet] is now elected in Opposition."

After debate, the first motion was defeated by 63 votes to 30 and Mr Willey ruled that the rest of the amendments on the agenda on that topic must fall. Left wingers protested that that did not allow proper debate and that Mr Benn's motion should be taken.

Mr Willey rejected their appeals and closed the meeting. Afterwards, the dispute continued in the corridors. MPs said later that there had been a bitter argument between Mr Benn and Mr John Smith, Labour's spokesman on trade

Optimism by Labour members facing legal battle over 'dirty jobs' pay rise decision

## Eighty protesters delay start of crucial Camden meeting

By Christopher Warman  
and Nicholas Timmins

Labour members of Camden Council, London, held a crucial meeting last night to decide their response to the threat that they may face a personal surcharge of thousands of pounds for approving a pay settlement to manual workers in the "dirty jobs" dispute in 1979.

The 33 councillors, 28 of whom were involved with the decision, considered a package of measures drawn up by the leadership, under Mr Roy Shaw, with advice from the council's officers, designed to keep them within the law.

They believe they have a good chance of winning the legal battle over whether they acted unreasonably in law, as the district auditor says, but

their actions on other matters could have a vital bearing on the decision of the High Court.

Although many of the Labour councillors voted against the pay settlement, they did not believe it was unreasonable or unlawful and had not been advised by their officers of the possibility.

Mr John Mills, deputy leader, said last night: "At no stage were we told it was likely to be illegal. When the settlement was finally made nationally, it was lower than we thought, and the Clegg awards did not help the lowest paid, so we were left stranded."

Mr Mills is a businessman and could probably find the money to pay the surcharge, if necessary. But he hopes to avoid it and is concerned for

those members who could not afford it, and would risk bankruptcy.

Of the 28 involved, four are lawyers, who would immediately be unable to practice if declared bankrupt.

Mr Ivor Walker, a solicitor, who voted against the settlement at the group meeting, but is nevertheless involved, believed they would win, largely because they had acted reasonably in all the circumstances, and because it had not occurred to the officers that their action might be unlawful.

If the worst happened, and he was made bankrupt, he would have to stop practising.

Two full-time local government representatives.

Most would have to go bankrupt, and such a move would affect the few single owners. Walker said he would be all right because he had a joint tenancy with his wife, but the single members might find their furniture and television seized.

Mr Nicholas Bosanquet, a lecturer in economics at the City University, said that if there was a surcharge he would have to go bankrupt. "But I would be better off than some, because I have tenure in my flat."

He, like the other members, is seriously considering what must be done. "We must be seen to act reasonably on the matters under consideration."

The meeting last night was delayed at its start when about 80 people walked into the council chamber at Camden Town Hall and refused to leave until their protests were heard.

Mr David Egner, branch secretary of the National and Local Government Officers' Association, speaking for all the unions, told the Labour group it should fight the cuts the Government was imposing through the district auditor.

He said that if the cuts, including 600 jobs in the building department, were made there would be a call for industrial action.

Outside the meeting Mr Egner said the district auditor's report was a threat to all councils. "The last vestiges of independent local governments are at stake."

## Warning to closed shop council

Members of the Labour-controlled Sandwell Council, West Midlands, which operates a closed shop agreement, may themselves have to pay compensation if they go ahead with the dismissal of Miss Joanna Harris, who is not a trade unionist.

The warning was given last night by Mr James Prior, Secretary of State for Employment.

The compensation could be as much as £17,000, and in a letter to Mr Morris McWhirter, deputy chairman of The Freedom Association, which is supporting Miss Harris, a 170-a-week poultry inspector, Mr Prior said: "I would encourage her to take her case to an industrial tribunal."

"Of course the councillors responsible for taking the decisions in this case are not subject to the usual constraints on employers: it is the Sandwell councillors and not the council officers who will have to meet the cost of compensation paid to anyone who is unfairly dismissed."

"But if a council is acting unlawfully and incurs expenditure as a consequence, the District Auditor may well decide to investigate and the result could be that a court orders those responsible to repay the expenditure from their own resources."

A number of reports had seriously misrepresented the legal position. "It is quite clear that what Sandwell are proposing is unlawful under the terms of our recent Employment Act."

## Reports of call-up are denied

By Our Political Staff

The Government yesterday firmly denied reports that it was considering some kind of conscription for young unemployed people.

Mr Alexander Lyon, Labour MP for York, a former Minister of State at the Home Office, asked Mr James Prior, Secretary of State for Employment, what consideration was being given to a proposal that young people on the Youth Opportunities Programme (YOP) should receive some military training in uniform.

In a written answer, Mr Prior said that no proposal on those lines had been submitted to the Manpower Services Commission, which administered the Youth Opportunities Programme.

"However," he added, "the Ministry of Defence, which has been a sponsor under the YOP since 1978, is considering what further help it might offer unemployed young people, and we are in discussion with them about this."

Later it was made plain in Whitehall that there was no question of conscripting young people into military service.

The Government and defence chiefs have been looking for the best way of strengthening the ranks of the armed forces as they are maintained under the present system of voluntary recruitment.

Many young people are already employed, under the YOP, in clerical and other civilian-type jobs in the Royal Ordnance factories and research and development establishments.

## Split over tactics signals the end of Campaign for Labour Victory

By Ian Bradley

The organizers of the right-wing Campaign for Labour Victory divided last night over whether they should support the new Council for Social Democracy or continue to fight within the Labour Party.

At a meeting of the 22-member steering committee it was decided that the 5,000 supporters of the campaign in the country should be given the opportunity to say which option they prefer.

The split over tactics at last night's meeting, which was at-

tended by four MPs, effectively means the end of the campaign which has fought within the Labour Party against constitutional and policy changes proposed by the left.

Mr Alec McGivan, organizing secretary for the last three and a half years, said: "It was a meeting where we realized we had come to the parting of the ways."

"It is possible that those people who want to continue within the Labour Party will keep the campaign going in some form, but my view is that

the majority of our supporters will want to back the new council."

Mr McGivan has himself resigned from the campaign and will be working full-time for the council from today.

For the past six months the campaign has operated from rented rooms in Highbury, north London.

Liverpool partnership: A local Liberal party yesterday tried to form a partnership with rebel Labour MPs (the Press Association reports). Leaders of the Edge Hill constituency party,

Liverpool, want to change its name to the Edge Hill Liberal and Social Democratic Association.

The association's 2,000 members will vote today on the move. If they approve it, Liberals will put up candidates for the Merseyside County Council elections in May under a Liberal Democratic banner.

Mr David Alton, Liberal MP for the constituency, has pledged his support for the plan and spoken of a possible electoral alliance with Mr Richard Cawshaw, the Labour member

for the neighbouring constituency of Toxteth.

Healey battle pledge: Mr Denis Healey, former Chancellor of the Exchequer, told the European Management Forum symposium in Davos yesterday he would "fight, fight and fight again" for Labour Party policies supported by the electorate (our Geneva Correspondent writes).

He believed there was over-whelming backing for the traditional party and hoped that the breakaway social democratic party would not be set up.

Photograph by Bill Warman

Listening to speakers at a rally called by council workers of the London borough of Lambeth yesterday are Mr Wedgwood Benn, Mr Ted Knight, the Labour council leader, and Miss Joan Maynard, MP for Sheffield, Brightside. Nearly all the council's 5,000 manual workers and half the 5,000 white collar workers are taking part in a week of action to protest against local government spending cuts. The rally yesterday followed a march through the borough.

## Liberals angry at Mr Powell's committee place

By Our Political Staff

Liberal MPs protested at the Commons last night about the decision of the Committee of Selection to include Mr Enoch Powell, Official Unionist MP for Down, South, in the standing committee which will examine the details of the Nationality Bill.

They had argued for the inclusion of Mr David Alton, Liberal MP for Liverpool, Edge Hill, their spokesman on home affairs and race relations. The Committee of Selection is advised by the whips of the two main parties about the choice of MPs for standing committees. The minor parties are not represented on the committee.

Mr Alan Beith, MP for Berwick-upon-Tweed, and Liberal Chief Whip, said last night: "The Labour whips have used their monopoly to place Mr Powell on the committee instead of accepting our nominee, Mr Alton."

## ILEA to stay, Mr Carlisle says

By Diana Geddes  
Education Correspondent

The Inner London Education Authority is to be retained, but the Government will seek to introduce extra financial controls if the authority "systematically abuses the rating system by unchecked extravagance", Mr Mark Carlisle, Secretary of State for Education and Science, told the Commons yesterday.

The Government was considering what further measures it would take to meet that situation, he added. It is understood that those measures would apply to any other authority the Government considered to be profligate.

The Government's public expenditure plans required local authority current expenditure on education in England to go down by about 7 per cent in

real terms between 1978-79 and 1981-82, Mr Carlisle said.

However, the ILEA was apparently planning to spend next year almost as much in real terms as it did in 1978-79, even though the number of its pupils would fall by about 13 per cent over the same period, the minister added.

The authority already spent much more money per pupil than any other English authority without achieving a satisfactory performance in many of its schools.

"The long-term retention of the single education authority for inner London is justified only if the authority shows that it can give the children and students of inner London a good service in all phases of education at an acceptable cost. It is up to the ILEA to put

its house in order", he said.

The weight of educational opinion, including the voluntary bodies and the churches, was that the difficulties of inner London called for a single authority of adequate size and with adequate resources to administer its education service, and that responsibility for schools should not be separated from the rest of education.

Civil service intake: More than half of last year's entry into recruitment as administration trainees in the Civil Service came from independent or direct grant schools and only one in ten had a degree in science or technology, Mr Barney Hayhoe, Minister for the Civil Service, said in a written parliamentary reply yesterday.



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per £1,000 invested at current rates				
1yr bond	2yr bond	3yr bond	4yr bond	5yr bond
£8.12	£8.33	£8.54	£8.95	£9.37

How much and how long?

You can choose one or more Capital Bonds and invest any sum over £500 in any one Bond for initial terms of 1, 2, 3, 4 or 5 years.

A 1-year Bond earns 1/4% above our prevailing Share Account rate (currently 9.25% which may vary). A 2-year Bond

earns 3/4% extra; a 3-year Bond 1 1/4% extra; a 4-year Bond 1 3/4% extra and a 5-year Bond 2% extra interest.

Your extra interest is guaranteed according to the term you select and is paid right from the start. The longer the term, the more interest you earn—up to the highest rate of all (11.25%, worth 16.07% to basic rate taxpayers) for a 5-year investment.

Stay on tax rates If you choose a Bond of less than 5 years and then decide to leave your money invested, your extra interest will increase up to the maximum in the 5th and subsequent years.

Withdrawal Option At the end of your initial term you may withdraw your investment. Or you can leave it to earn up to its highest interest at only 3 months' notice of repayment by you or the Society.

It's so easy Your monthly income will be paid automatically—by credit to your bank or Giro

account, or to a Nationwide Share Account from which you can withdraw it when you want to.

Call at one of the Nationwide branches or agency branches—there are over 1,000. Or post the coupon.

To Nationwide Building Society, FREEPOST, London WC1V 6XA.

I/We enclose a cheque for £ to be invested in a Nationwide Capital Bond for an initial term of 1 year ☐ 2 years ☐ 3 years ☐ 4 years ☐ 5 years ☐. Interest to be paid monthly ☐ or compounded ☐. Your total investment in all your Nationwide accounts must not exceed £20,000 (£40,000 for joint accounts). No withdrawals are possible during the initial Bond term selected except following the death of the investor.

Nationwide Building Society

Full name(s)

Address

## New Forest oil search opposed

The Council for the Protection of Rural England yesterday urged the Government to refuse permission for Shell UK Ltd to drill for oil near Lyndhurst, in the New Forest.

Mr Robin Grove-White, the council's director, said the forest was an area of exceptional natural beauty, and it was hard to conceive circumstances in which exploitation of an oil find could be acceptable.

## Thief in video case is jailed

Stephen Owens, aged 23, the fourth man charged with the video-recorded theft of rings valued at £31,000 at a jeweller's shop at Bridlington, Humberside, was given a three-year prison sentence at Beverley Crown Court yesterday. He comes from Cromer Way, Halewood, Liverpool.

## Border TV blackout

Border Television went off the air last night. The Association of Cinematograph and Television and Allied Technicians said a staff shortage in the engineering section caused the blackout.

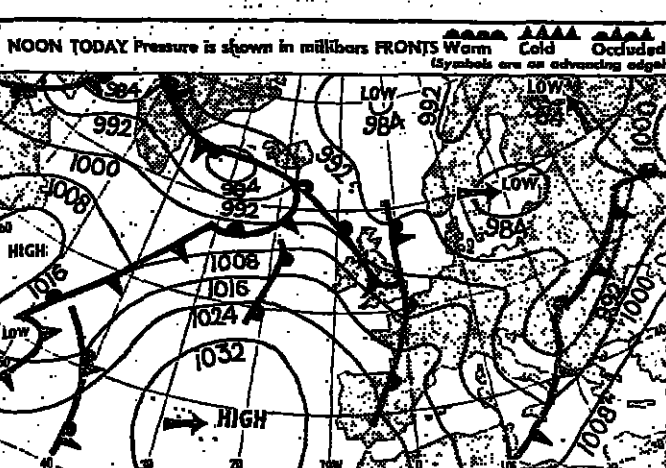
## Car goes over cliff

A driver whose car went over a 250 ft cliff at Portland, Dorset, was said to be in a reasonable condition in hospital last night. He has facial and spinal injuries.

## 3,000 seek 300 jobs

Three thousand people have applied for 300 jobs at a new superstore in Leamington Spa, Warwickshire.

## Weather forecast and recordings



Today Sun rises: 7.33 am Sun sets: 4.57 pm Moon rises: 7.58 am Moon sets: 3.45 pm First quarter: February 11. Lighting up: 5.27 pm to 7.01 am. High water: London Bridge, 1.58 pm; 7.36 am, 13.3m; 7.52 pm, 13.2m. Dover, 11.08 am, 6.5m; 11.34 pm, 6.7m. Hull, 6.36 am, 7.2m; 6.48 pm, 7.5m. Liverpool, 11.34 am, 9.4m; 11.57 pm, 9.2m. 1st = 0.3048m 1m = 3.2808ft.

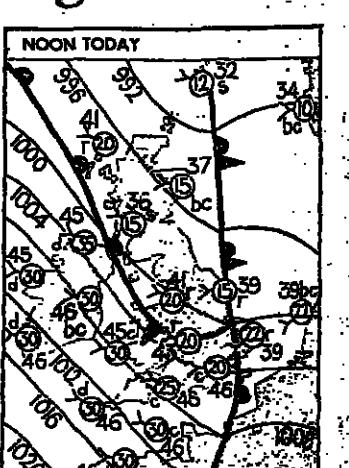
Frontal troughs will move E across most parts of the United Kingdom. Forecasts for 6 am to midnight: London, SE, central S and E. England, East, Anglia, Midlands (E): Dry and in places bright at first, cloud thickening with some rain and perhaps sleet for a time; wind W, moderate or fresh; max temp 6° or 7°C (43° to 45°F). Midlands (W), Channel Islands, SW England, S Wales: Mostly cloudy, a little rain or drizzle at times, but few showers; winds from mostly dry; wind W or NW, moderate or fresh; max temp 7° to 9°C (45° to 48°F).

Central N and NE England, Borders, Edinburgh and Dundee: Mostly cloudy, snow turning to rain with some moderate falls on higher ground. A drier, brighter period likely an afternoon but further rain later; wind W, veering NW, moderate; max temp 6°C (43°F).

Moreben, central Highlands, Moray Firth, NE Scotland, Orkney: Mostly cloudy, sleet or snow at times turning to rain at lower levels later, some brighter spells; wind W, moderate; max temp 5°C (41°F) after frost.

Sea passages: S North Sea, Strait of Dover, English Channel (E): St George's Channel, Irish Sea: Wind W or NW, mainly strong, occasionally gale; sea mainly rough.

Outlook for tomorrow, and WEATHER REPORTS YESTERDAY MIDDAY: c, cloud; f, fair; fe, fog; r, rain; s, sun; sn, snow.



NOON TODAY Pressure is shown in millibars. Fronts as indicated. Symbols are as on adjoining page.

Saturday: Changeable and windy. Rain in most places will be followed by brighter showers in the W later. Near normal temperatures.

Yesterday London: Temp: max 6 am to 6 pm, 7°C (45°F); min 6 pm to 6 am, 5°C (41°F). Humidity, 6 pm, 70 per cent. Rain, 24 hr to 6 pm, 1.1 mm. Bar, mean sea level, 6 pm, 1000.1 millibars; 29.53in.

Overseas selling prices: Australia \$2; Austria Sch 30; Bahrain D 1.60; Belgium D 35; Canada Cdn \$ 1.00; Denmark D 16.50; France F 6.55; Germany D 3.50; Greece Dr 360; Hong Kong HK \$ 7.80; India Rupee 46.50; Italy Lira 1,330; Japan Yen 236; Kuwait D 2.00; Lebanon L 150; Libya D 2.00; Luxembourg Lfr 35; Madagascar M 200; Malaya M 2.00; Oman R 200; Pakistan Rupee 100; Portugal Esc 200; Saudi Arabia SR 3.65; Singapore S\$ 6; Spain Ptas 165; Sweden Krona 4.66; Switzerland Sfr 2.00; Taiwan N 20; Thailand Baht 50; United Arab Emirates Dir 2.00; Yugoslavia Din 40.

## It pays to decide Nationwide

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## HOME NEWS

## Verdicts of justifiable homicide on terrorists

By Stewart Tendler  
Crime Reporter

Verdicts of justifiable homicide were returned by a jury at Westminster Coroner's Court yesterday on the five terrorists killed by men of the Special Air Service Regiment at the Iranian Embassy siege last year.

The jury took almost an hour to reach its verdicts after Dr Paul Knapman, the coroner, told them they had the choice of justifiable homicide, unlawful killing, or a verdict of death by misadventure.

When they returned to court it was thought that the delay might mean they had failed to reach a unanimous decision or required further direction. The coroner said: "I am a little surprised it has taken you so long."

He began to go through the choice of verdicts again and said: "I thought you were killing, but I think you must consider the implications to this country if the verdicts are recorded, if soldiers are sent in to do a specific job."

In the case of open verdicts, he said they left things up in the air and to a little bit of speculation. He broached the question of majority verdicts but the foreman of the

jury said that a unanimous verdict had been reached in every case and announced that it was justifiable homicide.

The verdicts are likely to be the last of their kind returned in Britain. A month after the siege last May new coroners' rules came into force which did not apply because the inquest opened originally on May 12 and was adjourned until Fowzi Nejad, a sixth terrorist, had been tried. Last month he was sentenced at the Central Criminal Court to life imprisonment.

Dr Knapman, in his summing-up, told the nine jurors that the evidence of the SAS men read in court was taken the day after the siege ended. "You may feel the recollection of some of the hostages has been embellished or misinterpreted by the passage of time," he said.

The statements they gave the police were short, and of the four who gave evidence in the trial of Mr Nejad as things turned out only one actually saw one terrorist shot. That, Dr Knapman said, would not be the impression which may have been deduced from press reports.

One of the witnesses Mr Abbas Fallahi, a hostage, had said that a soldier had shot him at close range a terrorist called Shia. Dr Knapman said: "I found his evidence was confused and I think there was a certain amount of language difficulty."

Two expert witnesses had said that Shia was shot from between 18 inches and 24 inches and not in the position suggested by Mr Fallahi. Dr Knapman said: "One must ask, is it particularly important how far away the muzzle was? The question is, did the soldier reasonably think this terrorist was a threat to him?"

In overall terms, Dr Knapman added, the jury had been told the SAS went into action against men with a variety of weapons who had killed once, had made threats, and might have booby-trapped the building or planned to meet an attack by blowing up the building.

The terrorists in most cases died of multiple injuries but the SAS used weapons which fired 10 rounds a second. Dr Knapman said: "They would not know if they had concealed

weapons or grenades. Imagine peering through the smoke and seeing the enemy, and ask yourselves whether it is reasonable to shoot first and ask questions afterwards. The SAS took no chances."

Looking at the possible verdicts, Dr Knapman said justifiable homicide meant using such force as is reasonable in the circumstances in the prevention of a crime. The jury had to consider whether force had been necessary and was the force in proportion to the evil to be avoided.

A senior policeman had described to the jury how one hostage had been killed and "these desperate men had threatened to kill a hostage and blow up the embassy if anyone attacked". Dr Knapman said: "You may feel that answers these two questions."

In the case of unlawful killing, such a verdict meant the coroner said he mentioned the verdict for the sake of completeness but if there had been any evidence of murder or manslaughter by the SAS the inquest would have been held and papers sent to the Director of Public Prosecutions.

He told the jury: "You will

notice I have not done so. I suspect you will not have to give this particular verdict too much consideration."

A verdict of misadventure represented a situation where in that case the soldiers had not intended to kill the terrorists who were caught in cross-fire. From the evidence it seemed the soldiers were aiming at them.

An open verdict indicated the jury felt there was insufficient evidence to record any other verdict.

The verdicts were recorded on the deaths of Salim, or Awn Ali Mohammed Faisal, or Shaker Abdulhadi Fadhil, Shia, or Shaker Sultan Said; Abbas, or Samir, or Samir, or Mohammed Hussein, and Makki, or Makki Hanoun Ali. During the inquest the police said those were the names of the dead hostages on their visa applications from Iraq and are thought to have been false.

After the inquest Deputy Assistant Commissioner John Dellow, who was in charge of the police at the siege, said similar situations would be dealt with on their merits. The use of the SAS had not represented a change in police strategy.

## More boats stay in port in protest over fishing crisis

## Ministers order price inquiry as owners attack imports

By Hugh Clayton

Ministers yesterday ordered an investigation of fish prices and marketing as protests by boat owners against imports spread from Scotland to England.

The investigation will be conducted by agricultural marketing advisers who will report to Mr Peter Walker, Minister of Agriculture, Fisheries and Food. He wants to know why low prices at ports are not reflected in chip shops and on fishermen's slabs.

Industry leaders told him yesterday that they believed that the prices of Dutch fish were being held down by misuse of an EEC subsidy system. Prices of some whole white fish fell to 10p a pound or less in some ports yesterday while shop prices for fillets and cuts of the same varieties were more than 21 p a pound.

Mr Walker said: "It would be nice if the reduction was reflected in the price in the shops. In the past there has been a remarkable consistency in the price on the slab which does not reflect the price on landing."

The last official investigation of fish prices, published in 1976, showed that "the price per pound that the customer pays is on average four times the price per pound that the fisherman receives. The total cost of distribution at all stages represents nearly one half of the price the housewife pays for fish compared with about a quarter in the case of meat."

Mr Walker said that fishermen had told him that fish bought by EEC agencies in Holland for use as fertiliser or animal feed were probably being sent to Britain. If that is so it is a totally illegal and wrong practice.

But Mr Gerrit Braks, Dutch Minister of Agriculture and Fisheries, later denied before meeting Mr Walker that EEC rules were being broken in his country's ports. "This is completely unknown to us. I think our distribution system is quite efficient, and that is the basis of our relatively strong export system in fish."

He denied allegations by British skippers that his Government paid a fuel subsidy worth about 15p a gallon to Dutch boat owners.

Mr Nigel Atkins, chief executive of the National Federation of Fishermen's Organizations, said after the stoppage went on he would have to start laying off some of the 600 employees next week. If it continued beyond that the factory might have to close.

Ninety-eight per cent of the white fish used here comes from local sources and other Scottish ports. I am sympathetic towards the fishermen but I feel they have picked the wrong target.

The action of the fishermen had by last night led to more than 400 boats being tied up as a protest against cheap imports and because the EEC common fisheries policy has still not been resolved.

pend on quality and variety. In Britain they are about 5p a pound for mackerel and 10p to 15p a pound for cod and plaice.

Mr Gilbert Buchan, chairman of the Scottish Fishermen's Federation, said before a meeting in Edinburgh: "Scottish fishermen are not happy with the question of cut-price imports overshadowed all others, including bargaining about an EEC fish policy which is to resume on Monday."

Processing "at risk": As more fishermen in north-east Scotland refused to work yesterday in protest against the crisis in the industry, the manager of a fish factory in Fraserburgh complained that the men had picked the wrong target and were threatening the local processing industry (Ronald Faux writes from Peterhead).

Mr Thomas Bruce, manager of the Macfisheries plant, said that if the stoppage went on he would have to start laying off some of the 600 employees next week. If it continued beyond that the factory might have to close.

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## Reports call-up are denied

By David Felton  
Labour Reporter

A war of words broke out last night between the seamen's union and shipping employers over a 2 per cent pay deal agreed by Townsend Thoresen covering 250 men who crew two passenger ferries operating from Southampton.

The National Union of Seamen said the deal was worth slightly more than 12 per cent and compared directly with the offer made by the General Council of British Shipping, and rejected by the union, was the equivalent of a 14.3 per cent increase.

An employers' spokesman countered that this was "a fraudulent calculation" and said that the deal represented a straight 12 per cent increase on earnings. Under the agreement the pay of an able seaman based on a 40-hour week with 20 hours of overtime will rise from £170.68 to £191.18.

A statement from the employers said it "welcomed this settlement which is a straight copper-bottomed 12 per cent deal which is well within our guidelines". Townsend Thoresen is the second company to negotiate a separate deal with the union. The first was Canadian Pacific.

The two ships covered by the agreement are the Viking Valiant and the Viking Venture, which last night resumed their normal cross-channel services after being blacked by the union since January 20. The company's services into Portsmouth will also return to normal.

The union said last night that its calculation of the worth of the Townsend Thoresen deal was based on a comparison with the national offer made by the employers on a 70-hour week. The employers said that the deal indicated the desire of seamen to settle at the 12 per cent level.

About 200 ships out of a British merchant fleet of 1,200 vessels are idle. All Sealink sailings from Holyhead to Dun Laoghaire in the Irish Republic are still suspended.

Mr Ronald Todd, the Transport and General Workers' Union chief negotiator at Ford, gave a warning that if a regional agreement was not reached by the end of the dispute, which by last night had led to 19,000 employees being laid

## Ferries sail again after Thoresen pay deal

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Labour Reporter

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Mr and Mrs Goodall and their daughter Sharon, aged nine, ousted by Mrs Lawrence.

## Court order sought over widow's home

From Our Correspondent  
Guildford

A repossession order was being sought yesterday against Mrs Jean Lawrence, aged 42, a widow who has become a squatter in her own home.

The move was made on behalf of her former tenants, Mr David Goodall and his wife Sylvia, who rented the house for three months but refused to move out when their lease expired.

Mrs Lawrence changed the locks on the house in Melrose Walk, Basingstoke, Hampshire, while they were out and took up residence again.

Mr Paul Chong, the solicitor acting for the Goodall family, said: "The obvious solution will be for Mrs Lawrence to vacate the premises so that my clients can move back in."

"We feel that Mrs Lawrence has taken the law into her own hands at this stage and, although one feels sympathy for the landlord, she cannot break the law."

Mrs Lawrence said: "The law is an ass. This just shows what a mess the Rent Act is. I know it was brought in to protect tenants, but when you have got a situation like this

where I can be evicted from my own home, then it is too much."

Mr Goodall said that to be rehoused by Basingstoke Council he had to be legally evicted. That was the only reason for the legal action.

Mr Dennis Hudson, the council's director of legal services, said: "We are investigating a complaint of harassment against Mrs Lawrence."

"The matter has been deferred for a fortnight to see the outcome of civil action between the two parties concerned."

## Top fashion designers to go out of business

By Frances Gibb

Two more leading British fashion designers with international reputations, Ossie Clark and John Bates, are going out of business.

They have fallen victim to the textile trade's worst recession since the war just a few months after John Bates, one of the best-known names in British fashion, opted for voluntary liquidation.

Of the five big London fashion designers only two, Jean Muir and Zandra Rhodes, have survived at full strength into 1981. Apart from John Bates, Bill Gibb and Yuki have both had business difficulties.

Yesterday Mr Noel van den Berg of MAK Industries, which became Ossie Clark's backers in April last year, said cash difficulties had made it impossible to continue. "It is a tragedy because orders were coming in well and the profit margins were good," he said.

About 85 per cent of Ossie Clark's sales were on the Continent, particularly to German women. Debts of his company are expected to total £200,000 and his contract to supply the cost to MAK Industries at £100,000. "We are walking out of this liquidation with nothing. I do not want anyone to think there is a golden lining to our position."

The Porter, who opened her premises in Greek Street, Soho, 20 years ago when the area was best known for its continental restaurants and grocers' shops, leaves debts of about £100,000.

Mr Keith Goodman, a chartered accountant who has been liquidator since January, said yesterday: "The world's elegant women are not prepared to go to a place surrounded by sex shops and strip clubs and populated by pimps and prostitutes."

Mr van den Berg estimated the cost to MAK Industries at £100,000. "We are walking out of this liquidation with nothing. I do not want anyone to think there is a golden lining to our position."

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## Mr Murdoch seeks 9% editorial staff cuts

By Dan van der Vat

Reductions of about 9 per cent in the editorial staffs of *The Times* and *The Sunday Times* were sought yesterday by representatives of Mr Rupert Murdoch at meetings with officials of the National Union of Journalists (NUJ).

Mr Murdoch is seeking agreement on demanning, disputes procedure and new technology with all seven main unions at Times Newspapers by February 12 as a precondition for taking over the company as going concern.

If the proposal goes through, *The Times* will lose 25 journalists, of about 280, and *The Sunday Times* 15, of about 175, by voluntary redundancy in the first instance. If the number of volunteers acceptable to the present editors falls short of the required total, News International, Mr Murdoch's company, will seek to achieve the targets by compulsory redundancy.

Although *The Times* NUJ chapel also represents the vast majority of the journalists on the three supplements, numbering about fifty, no proposals were made about reductions in the staff of *The Times* chapel, Mr Paul Rutledge, the paper's labour editor, said last night after a chapel committee meeting: "We are examining the proposals, and there is to be another meeting with the NUJ on Monday or Sunday. The full chapel will then meet on Tuesday."

The *Sunday Times* chapel met last night to consider its own response and to discuss its plans to challenge the Government's refusal to refer Mr Murdoch's takeover bid to the High Court.

Both chapels are expected to oppose any compulsory redundancies.

Takeover proposal: A House of Commons motion tabled yesterday by Mr Jack Aspinwall, Conservative MP for Kingswood, expressed concern about the proposed takeover of the *Evening Post* newspaper group by Associated Newspapers, owners of the *Daily Mail* (the Press Association reports). The motion calls for the bid to be referred to the monopolies commission.

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"Sunday Times" moves: The NUJ chapel of *The Sunday Times* said last night that it rejected the idea of a wage freeze and a disputes procedure which involved a penalty clause; it was seeking further clarification on the issue of redundancies (Martin Huckerby writes).

Chapel officials will meet Mr Murdoch's representatives again on Saturday, but the chapel will not make any decisions on the redundancy demands until a meeting next Tuesday.

The chapel has received a report from its accountants which indicates that *The Sunday Times* is an economic and going concern, and thus challenges the basis of the Government's refusal to refer the sale to the monopolies commission.

So the chapel's legal advisers will decide tomorrow, on the basis of the Government's report and an examination of the legal position, whether the chapel should proceed with its case in the courts. If the legal advisers decide in favour, chapel officials will issue the writ on Monday.

## Conflict over costs of Concorde

By Kenneth Owen

The British and French Governments are finding it difficult to agree the final balance of costs for the development, production and support of the Concorde supersonic airliner.

Civil servants on each side have produced conflicting estimates of the imbalance, and arguments over how much is owed, and by whom, are continuing.

These points emerged in evidence to the Commons Industry and Trade Committee yesterday. The committee went into private session to question Mr Norman Tebbit, Minister of State at the Department of Industry.

Studies by officials were commissioned in September, 1979, by British and French ministers, and the resulting joint report is being studied by the governments.

Mr Tebbit discussed the matter recently with the French Minister of Transport and, he told the committee yesterday, it was possible they would meet again soon.

A memorandum from the department notes that for 1980-83 Britain's expenditure on Concorde support is forecast to be "considerably higher" than the French expenditure and says "equitable arrangements will therefore need to be found".

Answering a question from the committee, Mr Tebbit described the initial Concorde agreement as not as precise as it could have been.

The cost of continuing Concorde support from January 1, 1981, to March 31, 1982, was about £27m.

## Ford to meet union team next week over strike

By Donald Macintyre  
Labour Reporter

Ford management is to meet the company's full national union negotiating team on Tuesday in an attempt to end the strike by 440 of the company's lorry drivers.

The Ford national joint negotiating committee, which barely meets over a dispute involving only a small section of the company's workforce of 37,000, will hold the talks at the union's request.

Mr Ronald Todd, the Transport and General Workers' Union chief negotiator at Ford, gave a warning that if a regional agreement was not reached by the end of the dispute, which by last night had led to 19,000 employees being laid

off, he would recommend its endorsement.

The dispute arises from the cut in international trips by the company's external lorry drivers. It has led to Fiesta and Cortina production being halted at Dagenham and commercial vehicle production at Southampton and Langley, near Slough. Yesterday production at the Basildon tractor plant was also halted.

The speed with which the week-old dispute has affected production has been increased by effective picketing of key company plants by the lorry drivers. They have revived protests against the ending last year of terms that provided for five foreign trips a week for the lorry drivers.

## Longbridge mass meeting likely to reject strike

From Clifford Webb  
Birmingham

A mass meeting tomorrow of all 15,000 employees at BL's Longbridge car plant, Birmingham, is expected to end the six-week campaign by the unions to force the company to reinstate eight men dismissed for allegedly leading an unruly mob.

Senior shop stewards, members of the works committee, are expected to call for an all-out strike after their setback in Tuesday when 200 shop stewards representing all sections of the plant rejected the committee's plan for a series of lightning strikes.

The indications are that the strike call will also be rejected and that it is being put to the meeting only because Mr Jack Adams, convenor and leader of the works committee, was left with no alternative after Tuesday's stormy session with shop stewards.

## Six development corporations to end by 1990

By Our Planning Reporter

The development corporations responsible for the third, "generation" of new towns will be wound up by 1990, Mr Michael Heseltine, Secretary of State for the Environment, told the Commons yesterday.

The target dates for Northampton and Central Lancashire were the end of 1984 and the end of 1985 respectively, when their populations would be about 170,000 and 270,000. Other population forecasts for the late 1980s were: Milton Keynes, 150,000; Peterborough, 150,000; Telford, 130,000 and Warrington, 160,000.

In all six towns the corporations would be expected to rely largely on private investment, Lord Campbell of Eskan, chairman of Milton Keynes Development Corporation, said last night. "In the light of the minister's statement, we can get on with reasonable confidence with the building of Milton Keynes."

## In brief

## Homes cleared as gas escapes

Two workers were taken to hospital and homes and shops cleared yesterday when ammonia gas seeped from a storage tank at the Unigate bottling plant in Vale Road, Sutton, south London.

The two men overcome by fumes were treated at St Helier Hospital, Carshalton. The gas escaped after pressure blew a safety valve.

## Two saved in air crash

Two American Air Force men parachuted to safety just before an F-111 jet fighter crashed in flames, narrowly missing houses, at East Wretham, Norfolk, yesterday.

## 'Express' contract

Odhams (Wadford) has been awarded a £10m a year contract to print about three million copies a week of the *Sunday Express* colour supplement. It is scheduled to appear in the spring.

## Show parking fees end

Car parking charges at the Royal Show at Kenilworth, Warwickshire, in July are to be dropped to improve traffic flow. Last year rain made many car parks quagmires, creating long traffic jams.

## BMA blacklist avoided

The British Medical Association has decided not to blacklist Oxfordshire Area Health Authority after confirmation that it will follow nationally agreed terms and conditions of service.

## Murder charge

Ian Bealey, aged 31, a charge-hand, of Okehampton Road, Exeter, was charged last night with the murder of Miss Virginia Maund, aged 20. He will appear before Exeter magistrates today.

## Cabinet set to kill information Bill

By Peter Hennessy

There were signs at Westminster last night that the Government intends to mobilize its "army" of ministers and their parliamentary private secretaries to kill the private member's Freedom of Information Bill, to be debated in the Commons tomorrow.

The Bill would establish a public right of access to official documents, subject to certain exemptions, reduce the 30-year rule for Cabinet papers to 10 years, and allow for disputed cases to be settled in the High Court.

Because it is a private member's motion, only a one-line whip has been placed on Conservative MPs, but pressure has been put on Tories likely to vote for a second reading. Conservative whips, reflecting the

line the Government will take, have argued that it will be costly in public expenditure and that the provision for judicial review will diminish the sovereignty of Parliament.

The bill drafted by the now defunct Outer Circle Policy Unit is being sponsored by Mr Frank Hooley, Labour MP for Sheffield, Heeley. Its supporters are confident that 100 MPs will be present tomorrow to prevent the Government simply talking the bill out, and to force a vote.

Mr Barney Hayhoe, Minister of State at the Civil Service Department, will lead for the Government. The Cabinet's hostility to the principle of freedom of information was made clear within a month of the Thatcher Government taking office, and the Prime Minister has not felt the need to refer the matter to a cabinet committee.

Mr Hayhoe's brief is being prepared by a team of departmental officials led by Mr Jonathan Charlesman. Miss Caroline Morrison, a veteran of the Campaign for Government's Fight Against an earlier version of the Outer Circle Bill in 1979, has been transferred from other work to assist him.

Widespread interdepartmental consultation in Whitehall on the impact of the Hooley Bill should become law, the results of which will form the basis of Mr Hayhoe's brief, has been coordinated by a committee known as Establishment Officers' Meeting. It is due to convene today under the chairmanship of Mr Angus Fraser, a deputy secretary in the department.

The unit's records showed that for every four-month period between 1976 and 1980, between 20 and 27 transplants had been carried out.

But in the four months since the programme in October, there had been six. Mr Johnson said that the figures for the North were more reflective of statistics for the whole of the country kept by the United Kingdom Transplant Centre.

There had been several instances in the Manchester area of relatives refusing permission for the removal of the organs, and in none of the cases had the patient survived.

## Kidney shortage 'like Wall Street crash'

The BBC's *Panorama* television programme on brain death had led to almost no kidneys being made available for transplants, a transplant surgeon said yesterday.

Mr Robert Johnson, a consultant at the renal unit Manchester's Royal Infirmary, said: "In terms of kidney transplantation, it is like the Wall Street crash."

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## Acting as Bank Manager makes you think-try this test

It makes you realise that money is a tool, that can be used for much more than daily needs. It can even go on working for your deepest interests when you are no longer alive.



## Police chief denies cafe raid in Bristol was case of overkill

From Lucy Hodges  
Bristol

Mr Vincent Arkell, the police superintendent who ordered his men to withdraw from the St Paul's riot in Bristol last year, denied yesterday that the drink and drugs raid which started the violence was a case of police overkill.

He said at Bristol Crown Court that it was a perfectly normal operation and he had no idea why the explosion erupted. He did not know why such hatred should be shown to the police and he was not expecting any trouble that day. He had been nonplussed, he said.

Mr Arkell, who has now been transferred from the St Paul's district, was called as a witness for the prosecution on the second day of the trial of 11 men and a woman accused of riotous assembly on April 2, 1980. They have all pleaded not guilty.

Mr Arkell said that the raid was planned nine days earlier, on March 24. On that day he had met leaders of St Paul's, including Mr Francis Salandy, a community worker, who had a good idea of what went on in the district, he said. He said that the relationship between the police and the West Indian community could not have been better, he added.

On the afternoon of April 2, he briefed 39 officers for the raid on the Black and White cafe in Grosvenor Road, St Paul's. Twenty-four men were to go into the cafe and 14 were to be held in reserve. That was a small reserve force, he said, in reply to questions.

He told his officers it was to be a low-profile operation. There was to be no harassment and it was to be conducted in a light-hearted manner, he said. He did not think it necessary to consult the police liaison officer at that occasion. He accepted the new police policy that those officers should always be consulted before such a raid.

He did not agree that it was inflammatory to remove in handcuffs Mr Betram Wilkes, the cafe's proprietor, who was arrested for possession of cannabis. He said he had not summoned him because this was not the normal procedure in such cases. He agreed that the raid could be seen by the youths as an attempt to close the cafe.

He said that after witnessing the initial violent scenes outside the cafe he had returned to Trinity Road police station, where he talked to Chief Supt Michael Challis. Hewent back to Grosvenor Road with more men to secure the release of officers barricaded in the cafe.

At that time missiles were being thrown at the cafe and he formed up his 20 officers three abreast and marched them down the road. He added: "We were subjected to a terrific barrage of missiles, bottles and stones, and officers were forced to take cover behind crates and dustbins."

Mr Rudy Narayan, another defence counsel, asked the superintendent whether he was trying to start a war by sealing off the road, handcuffing a man and marching his men in military formation. Mr Arkell denied that.

As the day progressed, the violent incidents got worse, Mr Arkell said. He was killed in the stomach. There was a crowd of between 200 and 300 people in Sussex Place. There was a lot of noise, three police vehicles were set on fire and one youth shouted: "Let's get the bank."

The accused are: Paul Binns, aged 18, of Ashley Road; Iltis Brown, aged 25, of Histon Drive; Carlisle, aged 17, of Histon Drive; Walton Street, Doretha Maye, aged 25, of Princess Street, Bedford; Franklin Raper, aged 26, of Ashley Road; Sidney Jarke, aged 15, of Foster Street; Clifton Street, aged 17, of Campbell Street; Nicholas Walker, aged 16, of Grosvenor Road; Raymond Jones, aged 25, of Victoria Square; David Royal, aged 17, of Argyle Road; Andrew Minter, aged 17, of Argyle Road; and Iltis Edwards, aged 17, of Bartgill Close, all Bristol.

The trial continues today.



Gabrielle Wolfe, aged 19, from Seattle, United States, presenting a rose to the Prince of Wales on his arrival at the Institute of Indian Culture in west London yesterday.

## English faculty dispute to go before university's governing bodies

From John Witherow  
Cambridge

The dispute within Cambridge University's English faculty, at present bitterly divided with allegations of McCarthyite purges and threats to academic freedom, will be discussed by the university's general board of the faculties next week.

Sir Peter Swinerton-Dyer, the vice-chancellor, speaking after several hours of discussion in the Senate House on the state of the faculty, said it would be up to the 13-member board and the council of the university to decide whether there should be an independent inquiry into the department.

The two committees are responsible, with the financial board, for governing the university. Critics of the faculty called during the two days of discussion for an investigation into the administration of the department and the refusal of the appointments committee to upgrade Dr Colin MacCabe, an assistant lecturer, to a full-time post.

Dr MacCabe's supporters, who asked for the senate discussion, said his appointment was a structuralist approach to English literature and to a wide and progressive range of teaching methods.

Te reparation developed into a fierce internal argument, with senior professors being voted off committees or resigning in protest.

Neither Sir Peter nor Mr R. E. Macpherson, the university registrar, could recall any previously inquiry into a faculty faculty after allegations of maladministration and misconduct.

"The problem has not been sudden and it would be a mistake to rush solutions", Sir Peter said. He admitted that he had some difficulty in determining factors which have led to the present dispute.

The discussion in the Senate House yesterday was attended by about 18 people. In contrast about six hundred students and down crowded into the building for the debate on Tuesday when they heard fierce attacks on a wide range of targets from the faculty board to wet rot in the department, offices. The faculty was accused of incompetence, maladministration, bias and having too many students and too few lectures.

One mathematics doyen, Dr Richard Cleave, a post-graduate English student, who spoke about the faculty's "cavalier attitude towards the students".

The publicity surrounding the dispute, the worst in the university since "R. Leavis" was sent home in 1930, means that an enquiry is increasingly likely, not merely to find out what is wrong but also to silence the more vociferous critics and allay any suspicion of attempts to sweep the matter under the carpet.

## Don't knows have it in poll on the EEC

By Robin Young  
Consumer Affairs  
Correspondent

Britons are disastrously ignorant about the EEC, according to a national survey summarized in this month's issue of *Which?* published today by the Consumers' Association.

The poll revealed that only one twentieth of the population could name the member of the European Parliament.

Fewer than half knew that the "Common Market" was in the EEC. More than half of those questioned thought that Britain spent more on the EEC than it does on social security. In fact spending on social security is almost 17 times more than on the Community.

Mr Peter Goldman, director of the association, said yesterday that British knowledge of the EEC was "strong on myth, short on fact".

Almost six out of ten people in the survey agreed with the view that the EEC was an unnecessary and expensive bureaucracy.

Nearly half the sample thought expenditure on the EEC was the highest or second highest of nine areas they were asked to rank in order. It should have been seventh, but was put top of the table by more people than any other item.

Three quarters of the sample thought Britain's EEC contribution cost more than was spent on education, whereas education costs more than eight times as much.

The association's commentary on the findings says that although the EEC has created "intense distrust and misapprehension" about the EEC.

Nearly nine out of ten people agreed with the true statement that the EEC had made food dearer, but a separate survey among *Which?* readers suggested that even that was overestimated.

Nearly half the readers thought the EEC was responsible for more than half the increase in food prices since entry. It is estimated to have caused only about one eighth of it.

Asked how they would vote in a referendum tomorrow, 58 per cent of those questioned in the national survey said they would vote to leave the EEC and 31 per cent said they would vote to stay in.

## Bombs in Khrushchev book sent to three Romanian defectors

From Jan Murray  
Paris, Feb 4

The works of the late Nikita Khrushchev, the former Soviet leader, were used to camouflage three parcel bombs which went off at the homes of two Romanian dissidents in Paris and one in Cologne yesterday.

All three men had taken part in a press conference in Madrid in November on human rights in their country.

One of the dissidents, Mr Nicolae Penescu, a former Minister of the Interior, was wounded in the face, neck and hands and has had to be detained in hospital. The other bomb caused slight burns to the face and hands of a bomb disposal officer called by the other dissident, Mr Paul Goma.

The third dissident, Mr Orasou, an engineer who has lived in Cologne since 1978, was injured when he opened his parcel of booby-trapped books.

Mr Goma, a writer who has been nicknamed "the Solzhenitsyn of Romania", was a 21-year-old student in 1956 when he first fell out with the Romanian authorities by proclaiming his support for the Hungarian uprising.

He later described how he had been arrested in 1977 after signing with 180 other Romanian figures an open letter on human rights to the Belgrade conference. He said that before his release, the Deputy Minister of the Interior had warned him: "If you do not keep quiet, the long arm of the revolution will get you wherever you may be."

Undeterred, Mr Goma has spoken, written and toured extensively to spread his message that there are no human rights in his native land.

He said today that on two occasions—in New York and in Paris—strangers had warned him that he would be "Bulgarianized". "In other words I would be given 'the Bulgarian umbrella thrust' which the secret services used against Bulgarian dissidents by sticking them with a poisoned umbrella."

(He was referring to the death in London in September, 1978, of Mr Georgi Markov, a Bulgarian defector, and of the wounding of Mr Vladimir Kostov, another Bulgarian defector, in the preceding August.)

The parcel containing the bomb had apparently been posted in Spain, he said. He had suspected nothing as he often received books in the mail but opening it found that Mr Khrushchev's works had been removed when replaced by something which appeared to be much more explosive, with wires and a battery.

He quickly shut the parcel, dumped it in the bathroom and called the police. It had gone off the moment the police expert touched it, but had not caused serious injury.

"It is certain that it was done by the Romanian secret police, the Securitate," he said. "Ever since I came to live in exile in Paris three years ago, I have received endless death threats in Romanian by letter or telephone."

"We Romanian dissidents never cease to denounce everything which happens in our country from the point of view of human rights, for we held a press conference on the fringes of the Madrid conference, it was interrupted by a bomb scare. Personally I am frequently taken apart by the Romanian police which calls me a traitor and fascist."

According to Mr Penescu's wife, the parcel bomb which injured her husband was identical to the one delivered to Mr Goma, but she believed it had not been brought by the postman.

Mr Penescu left Romania 11 years ago after 17 years in prison. A lawyer and a member of the National Romanian Council in Exile, he has written various articles in *Le Monde* on the danger of the Soviet bloc.

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## Airline to cut Middle East fares by 29%

British Airways is to cut excursion fares to many destinations in the Middle East and the Gulf states by nearly 30 per cent.

Fares to those areas which are primarily concerned with business, have traditionally been high by North Atlantic standards. It has been cheaper, for instance, to fly from London to Australia than to the Gulf states, which are only a third of the distance.

The airline said yesterday that excursion fares to Amman, Baghdad, Beirut, Damascus and Kuwait will fall by 29 per cent, cutting the return excursion fare to Damascus, for example, from £416 to £295.

Fares to Abu Dhabi, Bahrain, Doha, Dubai, Jeddah, Khartoum and Muscat will be cut by 27 per cent.

The cheap fares will operate from April 1 to June 30, and again from November. They will be available to businessmen with fixed business trips, and to people visiting relatives working in the Middle East.

British Caledonian is to cut advance purchase fares to some places in South America by more than £60 from February 18.

The reduced fares are available for travel before April 4, 1981.

The airline operates two flights a week to Venezuela and Peru, leaving Gatwick airport, London, on Thursdays and Saturdays and one flight a week between London and Ecuador on Thursdays. The same schedules will also apply when the airline introduces its summer programme on March 29.

British Caledonian will also introduce a new excursion fare of £450 between London and Dubai from April 1, a saving of more than £150 on the present fare.

The new fare, subject to final approval, is valid for stays up to 35 days.

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## Thatcher pledge on the arts

By Kenneth Gosling  
Arts Reporter

The Prime Minister has told a Commons committee that returning the office of arts and libraries to the care of the Department of Education and Science does not represent any downgrading of the arts.

In a Christopher Price, chairman of the education, science and arts committee, Mrs Margaret Thatcher said that Mr Paul Channon, who succeeded Mr Norman St John-Stevas as minister for the arts three weeks ago, would be able to consult her directly and have his own question time in the Commons.

She wrote: "I have made it clear from the first, that I am convinced of the need for the arts to have their own independent voice in government. I believe these arrangements will continue to ensure it."

The correspondence was released yesterday during a session of the committee, which is inquiring into public and private funding of the arts.

When Mr Channon was questioned about his new responsibilities, he said the powers outlined in Mrs Thatcher's letter were wider than those of most of his predecessors.

Mr Patrick Cormack, Conservative MP for Stretford and Urmston, asked Mr Channon if he was aware that of the total amount allocated by local authorities for recreational and leisure purposes, only 13 per cent was devoted to the arts.

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## Benevolent funds try to bridge the gap during wait for compensation

## Ready help for victims of violence in Ulster

By Sara Bonner  
and John Winder

If the troubles of the last decade or more in northern Ireland have produced anything of value, it is that the victims of the violence, especially those in the security forces, have in general been well treated. It is 10 years this week since the first British soldier, Gunner Robert Curtis, died after being shot.

This is the International Year of Disabled People, and it is encouraging to find that Mr David Bennett, the secretary of the Police Federation in Northern Ireland, reports that injured policemen there are well treated. Both the Royal Ulster Constabulary and the Army retain, if possible, those who have been disabled.

In the 10 years to January 29 last, 33 Army personnel were killed and 3,399 injured. In the Ulster Defence Regiment, 108 were killed and 207 were injured. The RUC lost 142 dead and 1,124 injured.

That compares with civilian deaths of 1,490 and injuries of 15,195 during the present troubles, which started about two years before the first Army death.

H-bomb issue was expected to have been answered by Mr Humphrey Atkins, Secretary of State for Northern Ireland, in the Commons yesterday but last night the Northern Ireland Office said it was not known when his answer would be available.

Sinn Fein said it was not in favour of the hunger strike weapon, but any decision, to be announced by the weekend, would be taken inside the H-bombs.

The H-bomb prisoners claim that the Government has reneged on assurances made in December about prison conditions and tensions have rapidly increased over the last two weeks.

Ninety-six men who were moved to clean cells, smashed their furniture last week and have since resumed smearing cell walls with excrement, bringing the total on the so-called dirty protest back to more than four hundred.

Arms cache found: Irish police have found a terrorist arms dump on an isolated farm in co Monaghan near the border with Ulster (the Press Association reports). It is understood that shotguns and rifles stolen in recent terrorist raids on gun club members' homes near the border were recovered.

Dublin trial: Peter Rodgers, aged 35, appeared at a special criminal court in Dublin yesterday accused of the capital murder of a policeman, a crime which can carry the death sentence if he is convicted. He pleaded not guilty to the murder of Detective Garda Seamus Quaid last October and to charges of possessing arms and explosives.

Sir David gave his assessment in a speech in which he urged Christians to show the way to a more law-abiding society.

Speaking at the Church of St George's-Tron, Glasgow, where he used to worship when he was a policeman in the city, he said London's crime statistics

Of the soldiers injured, only 173 have had to be medically discharged up to the end of 1978.

That is an indication of Ministry of Defence policy that when a man is badly injured in Northern Ireland, it is his own interests which principally determine whether or not he is retained.

A ministry spokesman said: "Each case is treated on its merits, but we would simply not dream of discharging a chap if he could be made use of in the Army."

One of the main criticisms of the treatment of injured servicemen or their dependants, is the tardiness of compensation. Mr Charles Maughan, general secretary of the Royal British Legion in London said that some cases before the courts were taking between 18 months and three years to determine.

The gap is in some measure bridged by the Army Benevolent Fund, by regimental organizations and by other funds. The benevolent fund, for example, has established a special Northern Ireland relief fund which has distributed £300,000.

Brigadier Tim Lanyon, appeals director of the benevolent fund, emphasized that that was not compensation, and that their job was to tide people over in desperate circumstances, often because official compensation took months or years to come through.

The fund, however, must expect to face a growing need, even if the troubles in Northern Ireland come to a sudden end. Veterans of the 1939-45 war, now reaching their sixties and seventies are increasingly in need of assistance, and anyone who has ever been to a veterans' meeting knows that.

The long-term financial aid for victims of violence comes from the Criminal Injuries Compensation Board, which has so far paid out more than £60m. The basis for that compensation is pecuniary loss.

Indications of the greater community spirit which has come to Northern Ireland because of the troubles were given by Mr Morwood Melwood, director of the Northern Ireland Council of Social Services, an umbrella organization for the societies in the province, some formed as a direct result of the emergency.

"There is no doubt that because of the violence, support for the various voluntary organizations has increased. Voluntary giving here is also much more per head than in other parts of the United Kingdom."

The rate of unemployment was 15.7, so that the general need was even greater. He believed that it had been occasioned by suffering, for those who had themselves suffered were among the most generous.

Son of the late Paul-Henri Spaak, the former Socialist Prime Minister of Belgium and one of the founding fathers of the EEC, Mr Spaak was a respected figure in Washington and made a wide range of contacts which should stand him in good stead.

He replaces a Luxembourg Eurocrat, Mr Adrien Ries, who returned after a month in the job to the Grand Duchy and asked to be relieved of his responsibilities.

Each of the heads of state or government attending the summit appoints a personal representative to take part in these preparatory meetings, and Mr Spaak will perform this office for Mr Thorn.

The right of the commission's president to attend the Western summits was established by Mr Thomsen's predecessor, Mr Roy Jenkins, after a tough diplomatic battle with the French, who considered his presence an intrusion.

The other participants at the summit are the Presidents of the United States and France, the Chancellor of West Germany, and the Prime Ministers of Britain, Italy, Canada and Japan.

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WEST EUROPE

King faces protest at Guernica parliament

From Richard Wigg Guernica, Feb 4

King Juan Carlos was stopped for seven minutes as he began to address the Parliament of the Basque region here today by interruptions from about 40 singing and chanting MPs. All of them belonged to the extreme left-wing party of the Basque nationalists, Herri Batasuna (Basque Unity).

The speech at Guernica, the town with the famous oak tree where Spain's king is today in the Middle Ages swore an oath to respect the Basques' fueros or historic rights, was the most significant moment politically of the king's two-day visit.

Herri Batasuna, which has close links with ETA, the terrorist organization, has opposed the royal visit, and his demonstration by a party which has boycotted any assembly above the municipal level since it came into second place in the Basque regional election last March was intended to be its maximum effort at protest.

The party placed advertisements in the region's newspapers today showing Don Juan Carlos appearing with Franco under the slogan "The Basque country will never surrender".

The king waited patiently, smiling occasionally, during the demonstration in the Casa de Juntas, and observed before starting again on his prepared text.

In front of the Basque practice intolerance and do not respect representative institutions, or the most elementary rules of freedom of expression. I want to reaffirm my faith in democracy and confidence in the Basque people.

There were greeted with loud applause and cheers from the members of other parties.

The king, who condemned violence in the Basque region, put the monarchy firmly behind Basque home rule within the framework of Spain's national unity.

He said: "The Basque people's liberty, as expressed in the long existence of their institutions, never constituted any obstacles whatever to the unity of Spain."

The king described the newly granted autonomy—the "autentic desire" of the Basques of the past decades in their quest for a common life within the unity of Spain, he said.

By his presence in so historic a location for the Basques, the king has sought to put his seal on the devolution process and prevent the rights of the Basque people from being exploited by the regional problem to reverse the whole democratic process.

There was heavy security along the country roads here from Bilbao, with policemen every 50 metres in some areas. Four water cannon vehicles were in Guernica's main street.

The second day of the tour began with a royal visit to the Bilbao Altos Hornos steelworks, where the king was received by the workers with indifference and without applause.

The voice of a woman identifying herself as a member of ETA, drowned the sound on the main television news broadcast in the San Sebastian area tonight when it dealt with the king's visit.

She repeated the demand for an amnesty of ETA terrorists or suspects detained in Spanish jails and repudiated the royal visit to the Basque country.



The Pope admiring the skills of two acrobats during his general audience in the Vatican.

Rival candidates vying for de Gaulle's mantle

From Charles Hargrove Paris, Feb 4

In my father's house are many mansions would seem an appropriate motto of the Gaullist party a short time before the presidential elections, the first of which will be held on April 26 and the second on May 10.

With the announcement of the candidature of M Jacques Chirac, there are no less than three candidates and there will soon be four—if President Giscard d'Estaing is to be included when he declares himself—will claim to be the true spiritual heirs of Gaullism. Moreover, the Socialists and Communists now drape themselves in part at least of the General's mantle of national independence.

The plethora of disciples of the Cross of Lorraine is summed up in a cartoon published today by Le Monde which shows M Michel Debré, M Chirac, and Mme Marie-France Garaud all wearing the General's constellated kepi and speaking into a microphone of the BBC. Things were simpler on June 18, 1940.

The voters on April 26 will have a hard time deciding on this problem of Gaullist legitimacy which is becoming a conundrum just about as close to present-day realities as medieval theologians' debate about the sex of angels.

For M Debré, the former Prime Minister of General de Gaulle, and sometimes rather naughtily described as the vestal virgin of Gaullism, there is no doubt about who is the true guardian of the flame. He has already condemned M Chirac, who yesterday stood down as the president of the Gaullist RPR, for having "assumed the responsibility of breaking for ever the movement which claimed allegiance to Gaullism," this takes some doing on the part of a man who announced his candidature to the presidency last June as a personal gesture, without awaiting the verdict of this same

movement to which he still belongs.

In a "Letter to the companions (the Gaullist version of comrades) on the eve of the congress," which will meet next Saturday to endorse M Chirac's candidature, he challenges the very validity and declares that he will stay away from it, that no one will address it in his name, and that he will call on his supporters to follow his example.

He asserts that it is not up to a Gaullist congress to choose between two candidates. "It is a detestable procedure, which makes us akin to a party" (as if Gaullism since de Gaulle had ever been anything else).

President Giscard d'Estaing abundantly mentioned General de Gaulle in a long interview published today by Jour de France, the glossy weekly magazine of M Marcel Dassault, the aircraft manufacturer.

He quoted for this several reasons. "First because I learnt the job of statesmanship at his side, and I was always conscious of the fact. It is a job one has to learn concretely. I watched how he did it. Next, there is the office. Political leaders think the ties with political parties or groups is the stronger. No. The office is stronger than these ties. Finally, the fundamental choices he made seem to me the right ones."

The President obviously felt he had tackled the Polish problem in truly Gaullist style. Twice he referred to his Warsaw summit with President Brezhnev. Criticism of it was "fundamentally inaccurate," he said. "I fully understand that I could have been reproached with agreeing with Mr Brezhnev on this or that matter that would have been bad for France."

But that the head of the French state should discuss matters directly with world leaders in the events of tension in the world, that he should say useful things, that he should be useful to the world, that is precisely what was France's place in history."

OVERSEAS

Mr Walesa advises more sit-ins but no force as talks falter

Warsaw, Feb 4.—Talks between the Polish Government and strikers in the southern province of Bielsko-Biala broke down today, and Mr Lech Walesa, the leader of the Solidarity trade union organization, told workers to stage sit-in protests and resort only to passive resistance in the event of attacks.

Strike leaders in the province, an important industrial centre close to the Czechoslovak border, instructed workers to intensify the occupation of their plants.

Workers have been occupying 130 major plants in the province for six days in support of demands for the dismissal of some 30 provincial officials.

Mr Jozef Labudek, the provincial governor, and three of his deputies, accused by the strikers of corruption and financial abuse, submitted their resignations last night. But the authorities refused to accept them, apparently determined not to give in openly to what they saw as a political strike.

Mr Walesa, who was in the province today, issued a statement saying they should not make any new demands. He also called on all other regional branches of his union of 10 million members to make no important decisions without consulting him.

He said: "If a forcible attack on Bielsko were to occur or

communications were to be cut, occupation strikes are to be staged but no new demands should be pressed. Only passive resistance should be employed."

The Government announced last night that strikers would receive only half pay, and then only if their strikes did not infringe union statutes.

Mr Stanislaw Kamla the party leader, in a speech on Monday accused Solidarity of staging strikes far beyond the limits of normal trade union activity and said the union was "turning itself into a political opposition."

The strike leaders in Bielsko-Biala said they were occupied only by skeleton shifts. They called for more workers to stay in their factories during the evening and night shifts and asked for more food and blankets.

The Warsaw evening newspaper, Express Wieczorny, tonight explained some of the accusations brought by the strikers against officials in Bielsko-Biala. It said that people were above all indignant about the allocation of housing.

"The Governor had a special pool of apartments at his disposal and many higher officials were given houses at low prices and on generous credit terms," it said.

The party Central Committee will have a closed-door session on Monday, the Polish radio announced today.

—Reuter and Agence France-Press.

Alarming Warsaw figures aggravate Western concern

Poland lacks funds to discharge international debt payments

By David Spanier Diplomatic Correspondent

The problem of how to deal with Poland's economic difficulties, already causing acute concern in the Western capitals, has been further aggravated by figures from Warsaw this week.

National income was down 4 per cent last year, compared with 1979, itself 2 per cent down on 1978. The latest indicators for January show industrial output running at half the level of the previous January.

Leaving aside the economic implications, the diplomatic and political aspects of the crisis, are leading Western countries into uncharted territory. "We are just feeling our way," officials admit today.

"Even if we knew all the figures, we could not give them out."

The fact is, whisper who dares, that Poland is broke. Bankers and Treasury officials outside the financial frame of terms. They speak of the very considerable difficulties Poland would have in meeting its debt obligations this quarter.

The party Central Committee will have a closed-door session on Monday, the Polish radio announced today.

—Reuter and Agence France-Press.

predicament unique. Poland is not a developing country. It is in fact the first industrial country unable to meet its international debt obligations—for Turkey, which anyway is a member of the Western alliance cannot really be described as an industrial country.

The normal process for countries in difficulties is to turn to the International Monetary Fund, which can make loans or credit lines available (as Britain has had cause to know on more than one occasion) and help in working out a recovery plan, designed not only to put the economy back on its feet, but assure in due course the repayment of its loans.

This is not possible with Poland. Poland is not merely outside the financial frame of reference within which Western and Third World countries operate, it is also very much under the shadow of the Soviet Union.

But the question arises, how much to refinance? In the first quarter of this year, Britain contributed £15m for food aid, and about £15m to facilitate the payment of debts, that is new money for paying back most of the old debts due.

It seems that another short-term rescue operation will have to be mounted for the second quarter, before a longer-term plan can be devised. With the Administration in Washington, there has not been time to concert Western policy towards Poland.

economy has been so inept, in the view of most experts, that it is hard now to take at face value the claims of future success.

But as officials sometimes put it, when a player in a poker game goes broke, his partners can do two things: either give him more money, in the hope that he will be in a better position to repay his previous debts, or stop the game. In financial terms, this means refinancing or rescheduling. The Poles are in no doubt that they wish to continue playing, they intend to repay their debt.

Moreover, there is a general sense that Moscow, in the last resort, would not allow a default to occur and would somehow find a way of guaranteeing Poland's debts. In the past, the Soviet Union has been scrupulous in its international financial dealings, bankers say.

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Run-up to Soviet congress brings a wave of licensed criticism of state and society

From Michael Binyon Moscow, Feb 4

For four years after 1976 every city in the Soviet Union displayed slogans proclaiming: "We shall fulfil the decisions of the twenty-fifth Congress of the Communist Party of the Soviet Union." But last autumn these were replaced with a new exhortation: "Let us worthily greet the twenty-sixth Congress."

The change marked the beginning of an intensive campaign that has been going on for five months to prepare the country for the crucial gathering of Soviet and world Communists that opens in Moscow in just under three weeks.

The preparations have gone on at every level: on the shop floor, in city councils, regional party committees, and finally in the party central committee in each of the 15 republics making up the Soviet Union, which have been holding meetings over the past two weeks.

In each case party activists and officials have taken stock of their achievements over the past five years, noting what has been done well and what remains unaccomplished, and drawing up plans for the future. Officials have been going through a process of candid self-criticism, and pledging themselves to do better in the future.

The party considers this unsettling self-examination extremely important. Indeed, the very frank admissions that not all has been going well, that much remains to be done, and that too many party officials have lapsed.

Even official reports of the congresses in Georgia, Estonia, Turkmenia, Latvia and other constituent republics have spoken of the tendency of party propaganda to be dull and cliché-ridden.

The run-up to the full congress is a rare period when criticism is not simply tolerated but solicited. Indeed, an account of the Latvian party congress sharply denounced local officials who refused to accept criticism and took revenge on those levelling charges against them.

All criticism has to be "constructive" and "principled"—in other words, within the party framework. But something still remains during this brief period of open debate that harks back to the pre-Stalin days of Soviet power.

The Soviet Communist Party now comprises more than 17 million members, or about 9.3 per cent of the population, and shows an increase of about 1,500,000 since the last Congress. At the lowest level its organizational structure now includes more than 400,000 industrial units.

These are meant to be the "vanguard" of Soviet society, the instruments for implementing party policy, the watchdogs guarding the heritage of Lenin, and the means by which the state can exercise control over every aspect of life in the Soviet Union.

It is on these organizations that the spotlight now falls, and they are the bodies which are to be blamed if key economic principles have not been fulfilled in their regions, or if there have been any upsurge in activities deemed incompatible with the party's ideology, religion, crime, local nationalism, and so on.

In the past few months, the press has been merciless in exposing party organizations that have not lived up to standards. As Pravda reminded its readers in a leading article yesterday: "Whoever joins the party has to set an example of Communist discipline in action. Whoever he works on a farm or building site, in a factory or office, he had to be an organizer."

Unfortunately, the paper said, this often took the form of simply shuffling papers, or party officials went round boasting about their statistics and plans and then forgot about them.

Pravda said some party members had still not shown what they were capable of as "active political strugglers." There were cases of individual comrades turning a blind eye to shortcomings, absenteeism, drunkenness and conduct unbecoming to a party member.

December the paper gave a more detailed example of what it meant. In the small town of Kolomyia in western Ukraine, with a population of

about 40,000, there had been a "flagrant case of state and party discipline, manifestations of self-censorship and pretentiousness, and private ownership tendencies."

The town authorities had allowed churchgoers to "fleece the masses" and had illegally supplied them with materials to build a church. Party leaders had rewarded their relatives with large flats, cars, expensive furniture and building materials.

The local hospitals and schools were under the control of "an entire group of bribe-takers," including the wife of the head of the party organization. Last year there had been an alarming increase in the crime rate, although the authorities had falsified the statistics to present themselves in a better light.

The press plays an important role in ensuring that party organizations put their houses in order, but the press itself has not escaped criticism.

In general, the press has been much concerned with workers' morale in the run-up to the congress, and has emphasized the need to instil a sense of discipline and responsibility. The aim is to generate some urgency and enthusiasm in Soviet industry, but probably at the same time to prepare the Soviet population for the tough new labour measures which many people expect the party will be forced to adopt at the coming congress in an effort to raise the low productivity of the economy.

The federal programmes which are likely to suffer the most controversial changes are food stamps (designed to help the poor), highway construction, public service jobs, grants to state and local governments and some unemployment benefits. The reductions are expected to save the Administration about \$50m (£20.8m) over the next three years.

In spite of Mr Reagan's attempts to curry favour with members of Congress, however, it is almost certain that his economic programme will be modified considerably. The Democrats still control the House of Representatives and even moderate Republicans in the Senate are likely to balk at some of the more conservative changes likely to be requested by the President.

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Budget cuts briefing for Congress

From David Cross Washington, Feb 4

Fulfilling his election promise to make traffic jams, the White House and Congress a two-way street, President Reagan today met Republican and Democrat leaders in the Capitol.

Mindful of former President Carter's early mistake in failing to cultivate support for his legislation among members of Congress, Mr Reagan has been going out of his way to consult them about the various sacrifices that their constituents will be asked to make to set the economy straight.

Mr Reagan has also been meeting the country's big-city mayors and black leaders this week to brief them on his economic plans. The nation at large will know what the Administration has in store for them when the President delivers his first televised address to the nation on Thursday night.

The general message which he has been trying to get across is that future budget cuts will hurt all sections of the community except, possibly, the most deprived.

It seems, however, that some members of Congress have already received lists of proposed tentative cuts in federal spending during the next two or three years and these have dutifully been leaked to a number of American newspapers. Some of the leaks were clearly designed to sabotage the planned reductions.

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Britain reticent on neutron bomb

By Our Diplomatic Correspondent

There is no direct British reaction yesterday to the statement by Mr Caspar Weinberger, the United States Secretary of Defence, that the Reagan Administration would "very probably want to make use of the San Sebastian area tonight when it dealt with the king's visit."

The Foreign Office confined itself to saying that Britain would warmly welcome the opportunity to have full consultations with Washington and other Nato allies on the latest American ideas about defence.

"It is to be expected that the new United States Administration will want to review United States military policy and programmes across the board," a Foreign Office spokesman said.

"We understand that the new United States Secretary of Defence emphasized there would be no final decision on enhanced radiation weapons until the allies had been fully con-

sulted. No specific proposals have been made."

Britain is not developing enhanced radiation technology, nor has plans to do so.

Agreement needed: Herr Kurt Becker, a West German Government spokesman, said yesterday that the Government's decision to allow United States neutron bombs to be stationed in West Germany was no longer valid and a new agreement would have to be reached (UPI reports from Bonn).

He said that the Bonn Cabinet at its regular meeting noted Mr Weinberger's statement in Washington. Herr Schmidt, the Federal Chancellor, was said to have been angered by Mr Carter's decision in April 1978, to postpone production of the bomb.

Dutch opposition: A majority of the Dutch Parliament called on the Government to oppose the deployment of the neutron

bomb (AP reports from The Hague).

The motion asked the Government to argue against introduction of the weapon into the Nato arsenal and to state that the Dutch Government opposes its deployment on Dutch Soil.

It was convicted that the neutron bomb "blurs the distinction between nuclear and conventional weapons and lowers the nuclear threshold."

Soviet reaction: A Soviet commentator predicted that Western supplies to Iraq at the start of the Gulf war with Iran in September, eastern block sources said, but Soviet-made arms were still reaching the country through some East European states.

Soviet tip-off: The Soviet news agency Tass dismissed as absurd reports that Soviet tanks had been shipped to Iraq from Eastern Europe via Saudi Arabia (Reuters reports from Moscow).

Gulf states to set up regional security council

Beirut, Feb 4.—Six Gulf states, including some of the richest Arab oil exporters, decided today to set up a council for Gulf cooperation to pool their resources and safeguard the stability of the region, the official Arabic press said.

Foreign ministers of Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Oman and Bahrain took the decision at a meeting in Riyadh, Saudi Arabia today.

The new organization would consist of a council of Gulf rulers, a council of foreign ministers or their representatives, and a secretariat, the agency said.

Russian criticism: Diplomatic sources said Moscow is apparently edging towards Iraq despite commitments to Iraq (Reuters reports from Baghdad).

The Soviet Union cut off direct supplies to Iraq at the start of the Gulf war with Iran in September, eastern block sources said, but Soviet-made arms were still reaching the country through some East European states.

Soviet tip-off: The Soviet news agency Tass dismissed as absurd reports that Soviet tanks had been shipped to Iraq from Eastern Europe via Saudi Arabia (Reuters reports from Moscow).

Hopes rise for release of Britons in Tehran

By David Spanier Diplomatic Correspondent

Hopes rose yesterday that the four Britons detained in Iran might be released soon, after a statement by the head of the Supreme Court in Iran that a decision would be reached "in a few days."

A further encouraging sign was the arrival of a letter home from one of the four, Mr Andrew Pyke, a businessman. In it he said he was being treated well. It was the first letter his family has received from him since his arrest seven months ago.

The Foreign Office was extremely cautious about the prospects yesterday, in the absence of any official word from Iran.

The statement that a decision would be taken within a few days was made by Chief Justice Ayatollah Muhammad Beheshti. He was speaking at a routine press conference, but gave no details beyond saying he had discussed the issue with a Swedish diplomat.

In his letter to his father in Hereford, Mr Pyke said that his treatment at the hands of the Iranians has been correct and humane. He said he was having good food and being allowed plenty of exercise and

Mirage delivery followed by oil from Iraq

From Our Correspondent Paris, February 4

Iraq is resuming its oil exports to France this month at the rate of 60,000 barrels a day. Until the outbreak of the war with Iran, Iraq had been the second largest oil supplier to France, providing 23 per cent of total needs.

Iraq's exports were then 3,000,000 barrels a day, but its output now is no more than 400,000 barrels a day. That so much of it will go to France is a sign that France has been given preferential treatment.

The trial set Swedish and British diplomats reexamining the case of the four Britons. "Obviously I hope they are not put on trial," said Mr Edmund Barrett, British Consul and First Secretary in a section of the Swedish Embassy responsible for British interests.

"Equally obviously, after this news one cannot rule it out."

According to a Swiss Embassy official who witnessed the trial, Mrs Dwyer had a long indictment read out against her. "The general line is spying and acting against the best interests of the Islamic republic," he said.

Mrs Dwyer was allowed to present her own defence.

Ayatollah orders political bickering to stop

From Tony Allaway Tehran, Feb 4

Ayatollah Khomeini, speaking with obvious anger, today ordered a halt to the divisive political bickering between the President and religious fundamentalists.

"They sting each other like snakes and scorpions," he said in a speech broadcast here on official radio. "Either they do not understand or do not understand and want to sting."

As supporters of the dominant Islamic Republican Party launched virulent attacks this morning in reply to those of President Abolhasan Bani-Sadr the Ayatollah said: "I advise them to be calm. I advise them not to sting each other, not to scratch each other's faces."

Speaking in some of his

harshest terms, the Ayatollah added: "Heaven forbid if they are doing it consciously. Heaven forbid a day when I feel my utmost responsibility... If I feel bound by duties I will take back whatever I have given to anyone."

It was unclear exactly who the last veiled threat referred to. In general the Ayatollah's complaints seemed evenly spread between the opposing factions. Political sources noted that his speech was made after outbursts by the fundamentalists rather than directly after a controversial speech by the President on Saturday, in which he called for public support against "oppressors."

The threat could indeed apply to both sides. Ayatollah Khomeini personally appointed Ayatollah Muhammad Beheshti,

Radio presenter cleared over colonel's suicide

From Our Own Correspondent Paris, Feb 4

A radio presenter was not to blame for the suicide of a retired army officer who was featured unflatteringly in a popular programme, the High Court of Amiens decided today.

The court cleared M Pierre Bellemare, a presenter with Europe One of responsibility in the death of Lieutenant-Colonel René Comte, who shot himself on Christmas Eve, 1973, only three days after the programme about him had gone out.

In it, M Bellemare described a legal battle between the retired colonel with his



OVERSEAS

# UN agency blamed for starvation threat to Ugandan province

From Charles Harrison  
Nairobi, Feb 4

Mr Richard Luce, Parliamentary Under-Secretary of State at the Foreign and Commonwealth Office, said today that Britain would cooperate closely with the new Ugandan Government of President Milton Obote in its efforts to restore the country's economy.

He also expressed satisfaction with the work of British aid agencies in helping to overcome famine in Karamoja, north-eastern Uganda.

On a five-day visit to Uganda, the first by a British minister since President Obote took over power after last month's election, Mr Luce went to Karamoja. He was told by aid workers that the area was facing the threat of widespread starvation if better arrangements were not quickly made to transport relief food.

Britain is providing assistance to rebuild the Ugandan police. But Mr Luce made it clear that Britain's ability to contribute directly to further aid schemes was limited because of the financial situation. Britain was, however, anxious to help Ugandan recovery and ready to consider a system of investment and export credit guarantees.

Speaking to reporters today before leaving Entebbe for Nairobi, Mr Luce said he was impressed with Dr Obote's assurances that foreign investment would be safeguarded. Dr Obote had told him that there would be no nationalization of foreign holdings. Uganda is returning to their former British and other owners some of the assets seized in 1972 by former President Idi Amin.

The Karamoja famine figured prominently in discussions that ended in Nairobi today between representatives of the British Save the Children Fund Organization, officials of the fund from Britain, led by Mr Hugh Mackay, its overseas director, and directors of its operations from Uganda, Somalia, Ethiopia and Sudan.

Mr Mackay expressed concern about a hold-up in transport facilities to Karamoja, where he said food supplies would run out by the middle of

this month if urgent measures were not taken. The United Nations Development Programme, which is responsible for coordinating transport, was accused of "bungling inefficiency" by Mr Guy Bles, the fund's field director in Uganda.

Mr Mackay said that with the rainy season due to begin early in March, the famine in Karamoja would become impassable.

He called on the United Nations to act immediately to improve the transport system. Most of the heavy lorries are out of action for lack of spare parts or lack of fuel. To meet the immediate needs, the Save the Children Fund has hired lorries from Kenya to move 3,500 tons of food. Karamoja needs 800 tons of food a week.

Mr Bles said: "We had hoped by our action to buy time for the United Nations to get its fleet mobile. But they appear to have done nothing."

Mr John Forsyth, the Oxfam representative in Nairobi, endorsed this view. He said that Oxfam officials operating "food for work" schemes in Karamoja would be in physical danger if they were unable to supply food in return for work done by the Karamojong people.

Mr Roen Repp, coordinator of emergency operations for the United Nations Children's Fund (UNICEF) in East Africa, agreed. He said that UNICEF had itself provided cash for spares in an effort to get the lorries moving again, but this was only a temporary solution.

In Sudan, the flow of refugees from Ethiopia (as distinct from Eritrea) has recently trebled to about 6,000 a month.

In Ethiopia, the Save the Children Fund has been allowed to start a resettlement operation for homeless people in Bale, in the south.

The Save the Children Fund received more than £5m in donations from the British public last year when the first reports of famine in Karamoja appeared. Since then, a relief operation has been built up in Karamoja, and the money has all been committed for continuing operations, according to Mr Mackay.

# Mr Hua Guofeng gets some Army backing as doubts grow on economic policy and debunking of Mao Power struggle renewed in Peking

From David Bonavia  
Peking, Feb 4

As the Year of the Cockerel in the Chinese calendar replaces the Year of the Monkey, uncertainty reigns as to the state of play in the unending power struggle between the top leaders.

Ordinary people seem glad not to have to bother themselves with affairs of state, preferring instead to enjoy the cigarettes, sweets, special foodstuffs, wines and spirits they have been stocking up. The Commerce Ministry has made a special effort to ensure that Peking is well supplied with high-class produce from many parts of the country.

Firecrackers splutter on the streets as families stroll out in below-freezing temperatures to visit relatives or attend special screenings of popular films.

The holiday—appropriately named "Spring Festival"—makes it possible for married couples working in widely separated parts of the country to spend a week or two together.

But there are clear signs of yet another struggle for power in the upper ranks of the leadership.

After the suspended death sentence on Jiang Qing, Mao Tse-tung's widow, and long prison terms for others denounced as "counter-revolutionaries", the country is badly in need of a more harmonious political and social life and an indication that the extraordinary twists and turns of economic planning have at last put China on the road towards prosperity and modernization.

It is more than six weeks since it was disclosed unofficially that Mr Hua Guofeng would step down soon from the party chairmanship, after his resignation from the office of Prime Minister last year.

Formalization of this resignation needs a plenary session of the party Central Committee, a meeting of the highest level, to be held for this month, the meeting is now understood to have been postponed until March and possibly longer.

Meanwhile, Mr Hua nominally holds the chairmanship and some sources have speculated that he may be holding out for another senior post, such as that of a deputy chairman, in exchange for giving up the other two posts gracefully.

Mr Hua is also reported to have enjoyed increasing support from some senior Army veterans, including Marshal Ye Jianying, who holds the position most equivalent to that of head of state (a post which does not exist in China).

The Army has been disturbed by doubts about the wisdom of the present economic policy and by its loss of prestige through the conviction of five former senior officers at the "trial of the 10". For decades the officers and troops have been schooled in the "people's war" concepts of Mao and of the late Lin Biao.

Many Army commanders are believed to be opposed to the further denunciation of Mao's policies.

On view again: Mr Hua today made his first public appearance after over two months' absence. The New China news agency reported that Mr Hua had met Mr Hoang Van Hoa, former vice-president of the Vietnamese National Assembly, who defected to China in 1979.

Mr Hua made his last public appearance on November 27, when he met Mr Ilie Verdeț, visiting Romanian Prime Minister.

# Two Britons murdered in Zimbabwe mission

From Stephen Taylor  
Salisbury, Feb 4

Two British missionaries were murdered at a school about 95 miles south-east of Salisbury last night by two men who forced their way into their bedroom.

Mr Donald Lale, aged 49, of Waford, Herefordshire, died of head wounds after being beaten with a garden implement. His wife, Ann, aged 44, was shot dead.

The Lales, missionaries of the Seventh Day Adventist Church, were sent to teach at the Chisengwe Range mission school, near Inyanga, last month. The school was closed in the latter stages of the bush war and the Lales were the first whites to be assigned to the school since it reopened.

Police said that at about 9.30 pm last night two black civilians approached staff at the mission and asked: "Where are the Europeans?" The staff reported that one of the men was armed with a pistol and forced them to show the way to the Lales' room.

Sources at the mission said that Mrs Lale was shot when the men entered the room. Mr Lale ran from the room and was pursued to another room by one of the men who beat him to death in front of other mission teachers.

Reports that the men claimed they were avenging the South African raid on Maputo on Friday in which members of the African National Congress were killed, were not confirmed.

Black staff at the mission also denied the report and said the men forced them to sing a guerrilla song.

A spokesman for the Seventh Day Adventist Church here said that there had been no previous racial incidents at the mission and that Inyanga, which is on the road between Salisbury and Umtali, had been regarded as a trouble-free area. The church had no plans to withdraw white missionaries from such areas.

Not surprised: The news was broken to Mrs Lale's parents, Mrs Elsie Smith and her husband Frank, at their home in Waford, last night.

Mrs Smith said they were not very surprised when a church minister told them what had happened. "We were always half expecting this to happen. It was at the back of our minds because they were in a dangerous area."

The Lales had two sons, Andrew, aged 14, and Timothy, aged 17, who are now in England.

# World View Historic achievement of social democracy

by Arrigo Levi

So, after all, social democracy was a useful reader of *The Times* and a science-fan, I discovered in a recent article by Dr Tony Smith on "the child-death cycle" a piece of information which struck a deep chord in my political conscience.

"Since 1976," Dr Smith wrote, "measurement of children's heights (in Sweden) has shown no differences either between social classes or between regions. Every child grows to its full genetic potential."

Such an epoch-making event deserves some further comment. The fact that, for the first time in history, a nation has been able "to give all its children an optimum physical environment" can be seen as a point of arrival for a history which began many ages ago: not with modern socialism, but possibly with the Judeo-Christian idea that all men are equal before God.

But in practice it was the modern social-democratic movement that set in motion policies aiming at providing equality of opportunities for all men's children. I am not referring to individual parties, or to present political controversies, but to the social-democratic movement as a whole, which has taken different names at different times. The labels changed: the Welfare State, the New Deal, the Great Society, and so on. All these (and the related ones of the mixed economy, Le Plan, etc) are today somewhat unpopular in many countries.

From right and left, the failures and limits of social democracy are being severely criticized, often justly; there are many good reasons for pointing out these failings and looking for remedies. But if even in one single country, ruled for so long by social democracy, the great goal mentioned above has been achieved, social democracy as a whole is historically vindicated.

Where Sweden has gone, others will surely follow. After all, until a couple of generations ago, Sweden was not a rich country, and it went through some furious social conflicts before trying that great experiment in social cooperation and the welfare state (in a mainly market economy) which has now brought equality to all new-born children.

Of course, Sweden is a small country and a compact society: others face much bigger problems. But which political doctrine and policy, other than social democracy, can claim such a success?

Neo-liberal, right-wing critics of the welfare state and of excessive government, rightly point out that these things depress individual enterprise and slow down growth. By all means, let us put limits to government interference and excessive taxation. But undoing the welfare state is really as unthinkable today as going back to voting rights only for the rich.

Left-wing critics of social democracy deplore the fact that nowhere has it led to "socialism". Herr Gellmus, a socialist, has claimed it is not a socialist, just as Artlee was not a socialist. I do not doubt the sincerity of those who desperately want to discover new roads to socialism, as a society where total freedom and perfect equality for all are achieved.

What worries me is that these searches for a new socialist policy (they include the left wing of most European socialist parties, as well as Italy's Euro-communists), while denying any intention to imitate Soviet Russia, since communism destroys political freedom without bringing about social equality, often make suggestions which point in the direction of Soviet capitalism: which is the economic foundation of Soviet authoritarianism.

History will go forward and new roads to a fully democratic society (call it socialism if you want) may be found, different from the one which has been followed during the social democratic era. But at least this has brought about consistent, though uneven progress towards those goals, to the point of one leading country being able, since 1976, to allow all its children "to give to their full genetic potential".

Later in life even Swedish children may not yet be able to achieve as fully their social potential. But the equality of "genetic opportunities" (something which the fathers of socialism did not think or even dream about) is in itself a stupendous historic achievement. If only one country has so far reached this goal, all others participating in this race cannot feel comforted by the fact that they are behind, but on the right track.

But do not let us forget that most countries still have a long way to go before reaching even this partial goal. Would it not be foolish to tire too soon and to decide to try other uncertain paths, which may lead far away from the point distant but already in sight?

Neo-liberal, right-wing critics

# Transkei in opposition to homeland

From Eric Marsden  
Johannesburg, Feb 4

Trouble has broken out between prospective partners in the constitutional negotiations. Mr P. W. Botha, the South African Prime Minister, hopes with one day take in most of southern and central Africa. The news that Ciskei has accepted Pretoria's invitation to become the fourth independent black homeland has met with hostility from its larger neighbour to the north, Transkei.

Together the two homelands account for most of the Xhosa-speaking people in southern Africa. Transkei, with a population of about three million, was declared independent in 1976. Ciskei, with about one million, at first refused to separate itself from South Africa but last year Chief Leono Sebe, its Prime Minister, agreed to accept independence if at the same time his country entered into a confederation with South Africa. This, he felt, would give it greater freedom of action.

# US takes derelict Somali base

From Marie-Thérèse Delboubes  
Mogadishu, Feb 4

The former Soviet military base at Berbera in Somali has undergone a dramatic change of ownership and will soon be open under United States management.

There are only a dozen American soldiers at the moment, drinking Coca Cola imported from The Netherlands in a lonely bar overlooking the Red Sea under a sign declaring "Long live USA-Somali friendship".

The base consists of derelict buildings and installations abandoned by the Russians when they were ordered at short notice in 1977. The base is in the middle of a desert, with bushes and pine trees, bordered by a chain of hills.

The Somalis, living in a state of tension for the past five years, must have breathed a sigh of relief when President Ronald Reagan entered the White House.

Last August 24, an accord was signed between Washington and Mogadishu under which the United States could have air and naval facilities at the former Soviet base at Berbera. But since then nothing very much has changed in the way town which faces Aden on the other coast of the Red Sea.

The gigantic petrol tanks are bone-dry—petrol is strictly rationed here—and the port is waiting sleepily either for foreign aid for refugees in the hinterland or the camels and goats from the interior, Somalia's main exports, to be shipped to the Gulf.

Repair work on the air base's landing strip, the longest in Africa, has not even started.

The cost of bringing the port and air base facilities up to modern military requirements is estimated at about \$11m (£4.5m), for practically everything will have to be brought here, including many skilled workers.

So far as the man-in-the-trenches is concerned, the new alliance with the Americans has been a disappointment—a packet of imported cigarettes has soared to \$4.

The initial American contingent will number only about 300 and will concentrate on serving as communications and coordinating unit for the rapid deployment force in

# Seoul given promise of F16 fighters

From David Cross  
Washington, Feb 4

As a further indication of its strong desire to improve relations with South Korea, the new Administration here is preparing to sell that country the sophisticated F16 fighter aircraft it has long desired.

According to Administration sources quoted by the *Washington Post*, a request for formal approval to sell 36 of the aircraft will be submitted to Congress shortly. President Chun Doo Hwan of South Korea was informed of the Administration's willingness to let his Government have the F16 during his visit to Washington this week.

The pending sale is in line with the defence commitment by President Reagan in the final communiqué published after his talks with president Chun on Monday. The communiqué said that the United States would "make available for sale appropriate weapons systems and defence industry technology necessary for enhancing Korea's capabilities to deter aggression". Mr Reagan also promised to keep American troops in South Korea as long as they were needed there.

Before leaving Washington for the final leg of his visit to the United States in Hawaii, President Chun promised that his Government would continue to liberalize his country's press and civil rights laws. Nevertheless democracy in his country was still "weak" and required the exercise of firm authority, he explained.

In a speech to the National Press Club here, the South Korean leader also reiterated his recent invitation to President Kim Il Sung of North Korea to come to Seoul to discuss ways of resolving the long conflict between them. Such a meeting could "foster an atmosphere of trust and understanding" between the north and south of the Korean peninsula, he said.

# Peru calls for demarcation of border with Ecuador

Limá, Feb 4.—Peru has called for demarcation of its border with Ecuador along the disputed 50-mile mountainous stretch where the armed forces of the two countries battled for five days last week.

Senior Felipe Osterling, Peru's acting Foreign Minister, said yesterday that military observers from the United States confirmed that a ceasefire was holding in the area. There was no independent report of their findings.

Senior Osterling said: "The only thing we did was to oust the invaders from our territory and reestablish peace in our Zone. The next step — and we are sure that they will agree — is to place the border markers along our frontier to keep these incidents from ever 'happening again'."

The placement of border markers along the crest of the Cordillera mountain range about 800 miles north of Lima began after a border war between the two countries in 1941 and a treaty signed in 1942 in Rio de Janeiro establishing the boundary.

# Fights man says \$200m is missing

From Ivor Davis  
Los Angeles, Feb 4

Mr Harold Smith, the Los Angeles boxing promoter who is being sued by the Wells Fargo Bank of California for the recovery of \$21.3m (£9.14m), emerged last night and claimed that he fled from his home because bank officials were trying to kill him.

He also alleged that the missing funds from the bank totalled between \$200 and \$300m.

Mr Smith, chairman of the Muhammad Ali Professional Sports Company which has been promoting fights in the United States, made his accusations in a telephone call to radio and television stations in Los Angeles and to *The New York Times*.

He said that the former heavyweight champion Muhammad Ali had nothing to do with the scandal that has rocked the boxing world. (Ali receives \$25,000 each time Mr Smith uses his name in a promotion.) Mr Smith said he and his family can in fear of their lives after it became known that an embalmment investigation was taking place and he claimed that his four-year-old son John was kidnapped by armed men.

In a telephone call last night to a Los Angeles radio sports reporter, Mr Smith said that now his family was safe in Switzerland he would return to the United States "to get even with some of the things we've been wrongly accused of."

"I've learned we're not talking about \$21m we're talking about two hundred million, three hundred million, that's going to \$200m, \$300m, \$500m, \$1 billion. I know they are out to try and stop me, because they tried to kill me and my family before I left."

Exit Ali, page 12



# WE'VE KNOCKED DOWN OUR CITIES

CITY/TOUR	AIRPORT/COACH STATION	NO. OF NIGHTS	DATES	FINAL PRICE	SAVING
DEPARTURES BY AIR					
Rome	Gatwick	3	20 Feb	£95	£20
Venice	Luton	4	2,9 Mar	£105	£20
Cities of Italy	Manchester	7	14,28 Mar	£179	£30
Nice	Luton	3	13 Feb	£69	£40
Jerusalem	Luton	7	2 Mar	£220	£40
Jordan	Heathrow	7	26 Feb, 5 Mar	£214	£40
Leningrad/Moscow	Gatwick	7	28 Feb, 7 Mar	£151	£25
Caucasian Tour	Gatwick	7	14,21,28 Mar	£186	£25
Grand Russian Tour	Newcastle	7	26 Feb	£185	£35
DEPARTURES BY COACH					
Five European Capitals	Manchester	8	28 Mar	£176	£30
European Highlights	Victoria	11	14,21,28 Mar	£198	£30

This is just a sample of the cities we're knocking down this winter:  
There are many more, so see your travel agent before they're flattened altogether.

Holidays are at selected hotels in the cities mentioned. Meal arrangements are for bed and breakfast only. Flights are on charter flights. Details are in the Winter Sun and Cities Brochure. Prices are quoted in pounds sterling. All prices include airport charges, surcharges and insurance have been included. Holidays subject to availability. ATOL 1252C.



# Supreme Court orders Bihar to free prisoners

Delhi, Feb 4.—India's Supreme Court today ordered the release of all prisoners in the northern state of Bihar who have been held without trial for more than five years.

The court also ruled that the state government should provide free legal aid to the people who are numbered in thousands.

The court was ruling on an application by eight prisoners who were kept without trial for eight years in various Bihar jails.—AP.

# Hongkong adviser

Hongkong, Feb 4.—Mr Robin McLaren, head of the Far Eastern Department in the Foreign Office, will be Hongkong's next political adviser, succeeding Dr David Wilson in October.

# Thatcher promise verified in Trudeau letter

By Our Political Staff

Clarifying a point that was raised with Mr Pierre Trudeau, the Canadian Prime Minister, during exchanges in the Canadian House of Commons on Tuesday, officials in London yesterday confirmed that Mrs Thatcher, the Prime Minister, wrote a letter to Mr Trudeau in December about the Canadian constitutional proposals.

The federal Government is asking for a revised constitution to be endorsed by the British Parliament in spite of opposition from eight of the 10 provincial Governments of Canada.

Mr Trudeau has said that in June last year Mrs Thatcher told him that she would impose a three-line whip in the Commons to ensure that the Canadian proposals were approved.

MPs who are concerned that Parliament at Westminster should exercise its rights as trustee of the federal structure of Canada, argue that if the federal Government cannot get the agreement of a substantial majority of provincial Governments, MPs will have the right and duty to propose amendments.

Commonwealth threat: The British Government warned the Canadian Government last December that differences over the constitutional plan of Mr Trudeau could damage Anglo-Canadian relations and risk the future of the Commonwealth.

The report, adds to the accumulating evidence that Mrs Thatcher's Government has become extremely nervous about getting involved in the torrid constitutional debate now raging in Canada.

Under a resolution before the Canadian parliament—opposed by eight of Canada's provinces—Westminster would be asked to amend the British North America Act, one final time, and then surrender control over it to Canada.

The most controversial changes involve a proposed charter of rights for Canada and a formula for amending the

# Peron charge is dropped

From Our Correspondent  
Buenos Aires, Feb 4

A federal judge today cleared Señora Peron, the former Argentine President, of one of the charges remaining against her for mishandling government funds.

Judge Martin Anzorategui said in announcing his decision that while Señora Peron deserved to be reprimanded for mishandling of presidential funds, he did not consider that the use of the funds to buy "jewels, works of art up to a kilo of sweets or 200 grammes of ham" in itself constituted a crime.

Over a hundred people gathered outside the San Vicente residence where Señora Peron is being held by the Armed Forces to wish her a happy fiftieth birthday.

Señor Lazaro Rocca, the president of the National Justicialist (Peronist) Council, said he hoped all charges against the President would be dropped "tomorrow, if possible. If this continues, it could cause (her) new health problems."

### A special kind of family needs a special kind of care

A disabled child handicaps the entire family. He needs more care and attention, and this can be a heavy burden for the family. Where possible it's always best if a child stays at home with the family, but this creates problems. Parents need help to look after their child, and help to cope with the disabilities.

In our day care and family centres as well as our residential centres, parents come for advice and bring their children to our special play groups. We also provide holidays for the children to give parents a much-needed break from constant caring. These families need our support, and we need yours. Please send a donation to:

Children First  
Church of England  
Children's Society  
Room 122  
One Tower Street  
Kingsway, London WC2A 4OD.



















THE ARTS

# Opening up a wardrobe packed full of personalities

Lily Tomlin kept on the move. She fledged on the sofa—"It's far too slumpy"—sat on the hard arm for a while, then stood upright, breaking occasionally into toe-tapping exercises. All the time she kept up with the questions, rattling off facts and opinions about her self and her career. She is in London to publicize her film *Nine to Five*, which opens today.

*Nine to Five* is a comedy about the unglamorous and rarely credited work of women office workers. The idea was taken up by Jane Fonda who chose Lily Tomlin and Dolly Parton as the country singer, to join her. The film is ambitious, hoping to convince men and women of the merits of feminism through comedy. It is particularly pertinent to Lily Tomlin, who first became known here in the United States as an office worker, the doty switchboard operator in Roman and Martin's *Laugh-In*. She had been discovered in New York, doing character monologues in coffee houses at a time when musicians were the most usual incidental entertainment. It was her stock of instantly attractive characters which most appealed to the *Laugh-In* scriptwriters. They could write for Lily Tomlin's established wardrobe of personalities.

She shared her agent with Robert Altman who decided to use her in *Nashville* as the mother of deaf children who falls for a young singer. Altman's style was to have her acting fitted her ability to invent characters. "*Nashville* was filmed chronologically and so we never quite knew what was going to happen. We made it up as we went along, day by day. We lived like one big family and were all interested to know what would happen in the story. I was really involved. I would say to Altman, 'I don't think she should go to bed with him, he's so shallow.'"

Her scenes with the deaf children at school for the children at Knoxville. It was the summer vacation and these two were brought over for

audition and Altman just bought them. The little boy was far more oral. His mother had been more supportive and brought more out of him. I came to know a lot of his stories and, when shooting started, I would say, tell us about when you got your swimming certificate, and he was a natural actor. I studied sign language for three months, but I never really mastered it. I would memorize phrases.

*Nashville* was followed by a successful one-woman show on Broadway which led to her next two film projects. "I am sure it was Altman who chose me in Robert Benton's *The Late Show*. Benton has preferred Robert Mitchum as the private eye and Valerie Perrine in my part. Again, Sam Cohn is the agent for Altman, Benton and me. It was like doing an Altman movie. He was a writer, Benton was much more interested in structure."

Next came *Moment by Moment*, acting the older woman lover to John Travolta, then her property after *Saturday Night Fever* and *Grease*. "I knew John a little and we were aware that we resembled one another. He came to see me on Broadway and he loved my show so much that he told Robert Sigmond that he wanted to do a movie with me. I had seen scenes from *Saturday Night Fever* and thought he was wonderful."

"I am 15 years older than Travolta. We became very friendly. He liked my characters and would do male versions of them. I had one called Tess who is a shopping-bag woman, one of those people who live on the streets with all their possessions in shopping bags. He used to do a bag-man called Larry. When shooting we would be in bed together, playing bag-people before a take."

"John and I were surprised by the failure of *Moment by Moment*. There was very harsh criticism in the States. There children at Knoxville. It was the summer vacation and these two were brought over for

made something like 150 million dollars. And I had had a lot of critical success in my career. We were on a press junket, giving interviews across the country, and we were very naive about it. It just came like an avalanche. It is upon you when you notice it is coming. We just thought the film was sweet."

Jane Fonda cast Lily Tomlin in *Nine to Five* after seeing her in a concert and the parts were written especially for the three of them. "Dolly, Jane and I became such good friends, we got so close. It was so much fun. I am very sympathetic to Jane's cause, do not consider them to be radical. I don't think that the politics in *Nine to Five* are revolutionary. We show three women who get along amazingly well. That is worth saying in itself."

"All clerical workers do not even want to acknowledge they are secretaries. It is a demeaned position. They are embarrassed. They know that they are of value and they really feel that they make a contribution. It celebrates them. Just mentioning arguments like this in a movie, they become part of the consciousness."

Getting the coffee isn't the issue. It is because getting the coffee is an activity identified with women and therefore second best. You can't quite be first-rate if you get the coffee. It is an awareness we are talking about and it takes a long time."

Lily Tomlin's next film also deals with women's issues. It is *The Shrinking Woman*, about a dedicated wife who starts reducing in size after trying out an untested new product for her husband. The gallant woman continues her usual chores, despite her height. "We did one scene with an enormous set like a kitchen surface. The sink is about 60 inches long, and I am inches tall, still struggling to fit the bacon. It is very funny, though sad, because all her instincts make her battle on and do her duty."

Nicholas Wapshott

Lily Tomlin in *Nine to Five*



## Arts agenda

London may not have the chance to see Peter Ustinov's *King Lear* in the immediate future, but instead it is being offered the latest product of his pen: a comedy entitled *Overheard*, which is his first new stage work since the early 1970s.

Rehearsals for the production started this week and the play has attracted back to the stage two stars who have not been seen in the West End for some years, Deborah Kerr and Ian Carmichael was last in the West End in the short-lived production of *Out on a Limb* in 1976. *Overheard* is due to open at the Theatre Royal, Haymarket, in April, after *Virginia*, with Maggie Smith, ends its run.

One of the worst disasters to hit the art world in recent years came in 1978 when a fire at the Museum of Modern Art in Rio de Janeiro destroyed about

1,000 works, including paintings by Picasso, Klee, Ernst and Magritte, as well as almost the complete works of the Uruguayan painter Joaquín Torres García. The museum is now back in action, and with the help of an appeal to artists all over the world, its walls are being gradually restocked with pictures.

In Britain, the Brazilian Embassy says it was marvelously surprised by the response to its appeal for works to be donated to the museum. Among the works by British artists which will shortly be sent to Brazil are collections of screenprints, a painting given by John Hoyland, a bronze sculpture loaned by the Henry Moore foundation and a set of 12 aquatints by Patrick Proctor, donated by the Redfern Gallery.

Other countries from which

works have been donated include France, Spain, Ireland and Japan, but the Brazilians seem to have drawn a virtual blank from two of the countries which lead the world of modern art: from the USA and Germany there have been gifts of books and catalogues, but no paintings.

After his success with the English version of Schindler's *Uncovered Country*, at the National Theatre, Tom Stoppard is now preparing another Austrian play for the National; this time it will be a farce by Johann Nestroy, *Einen Jux will er sich machen*. Stoppard says the National's director, Sir Peter Hall, came back from Vienna saying that they had to do the work, so the playwright is now translating it and preparing an English edition.

*Einen Jux*, based originally on an English play, has been found of much theatrical success: it was adapted by Thornton Wilder into *The Matchmaker*, which was then turned into the musical *Hello, Dolly!* Stoppard says that Wilder had made the story, about two shopworkers having their fling, into "a rather more high-class comedy; Nestroy's play was much more of a romp—a sort of nineteenth-century *Morecambe and Wise*". And that is the way he is doing it, with lots of jokes.

No cast album of the show was recorded at the time and John Yapp, who owns the Covent Garden shop specialising in show music, *That's Entertainment*, says they keep receiving requests for a recording of *I and Albert*. So he decided to meet the demand by making a somewhat belated recording of the score, reassembling the original cast for the occasion. Even at £9.99 each, he expects to sell a limited edition of 2,500 copies within a couple of months.

There are enough people worldwide to support a limited edition of any musical, he believes. He has just released an LP of *The Biography Girl*, and, although the show has already closed he has no doubts that the records will sell. Recording old shows is a new venture, but if *I and Albert* proves a success, then he has several more in mind.

The next is likely to be *Thomas and the King*, which was "a monumental failure" in the West End five years ago.

Elijah Moshinsky is expected to be the director of the 1984 Adelaide Festival. He follows Jim Sharran, who is in charge of the 1983 festival. Moshinsky had a considerable success last week in Paris when he adapted his Covent Garden production of *Peter Grimes* for the Opéra. Next month Covent Garden he directs the new staging of Verdi's *Macbeth*.

NOT TO BE MISSED: Julie Covington and Fulton Mackay take the leading roles in Cambridge Theatre Company's production of Shaw's *St Joan*, directed by Nancy Meckler, it opens on Tuesday at the Arts Theatre, Cambridge.

Martin Huckerby

## Book review

### Winchester

By Barbara Carpenter

#### Turner

(Paul Case Publications Ltd, 1980)

Anyone who supposes that inner city decay is peculiar to our times should take a look at late medieval Winchester. Here was a once-royal capital still enjoying royal favours, a powerful bishopric with a magnificent cathedral, gem-like churches within, without and even on its town walls, and a thriving cloth manufacture.

Then in the 14th century, with trade already hit by the expulsion of the Jews, there came the Black Death and the Hundred Years' War. The wool staple decayed, well-to-do inhabitants pushed off. Fifteenth-century Winchester was insolvent, its streets falling down and churches in ruins.

How this impoverishment came about, and later misfortunes during the Reformation and Civil Wars, forms only part of Barbara Carpenter Turner's scholarly history. Surprisingly, it is the first full modern account of our one-time capital, and the author, a professional historian who has been twice Mayor of Winchester, is steeped in its archives. Every page demonstrates her skilled research, in a work well annotated, amply illustrated and attractively produced.

Filled with valuable information, indeed, though the overall effect is a bit on the dry side, not filled out into a living picture of what seems to have been a pretty turbulent history. The really colourful people and splendid occasions, like the great "building" bishop, William of Wykeham, or the marriage of Mary Tudor and Philip of Spain, hardly stand out from the minutiae.

Detailed maps would have clarified the city's appearance at different periods, and the break-down of the index into sections, first-rate in theory, in practice makes it quite hard to use. (It took me several goes to locate "Soké".)

Such fruit of prolonged research by so sound a scholar is still a matter for gratitude, making us want to pace the streets of Winchester with the new knowledge accorded us by this comprehensive work.

Mary Cosh

## Say Your Prayers

Riverside Studios

### Ned Chaillet

A croaking, singing frog is one of the leading characters in Nick Darke's play for the Joint Stock company. The apostle Paul is another. Paul and the frog share a pond in a prison yard with a few pagans and Paul's secretary. They take part in an admirable bit of storytelling, fantastically conceived and disarmingly played.

In addition, Mr Darke throws two modern churchmen into contrast: an ineffectual English vicar denouncing the decline of faith and a boisterous American evangelist linked to 50 million followers by television.

Mr Darke's dramaturgical skills are evident and the easy manner in which he links each thread in his play is encouraging. It is possible to imagine a major play from him on the basis of *Say Your Prayers*, but for all the intelligent comedy of the writing his play seems simultaneously over-ambitious and simplistic.

After the frog introduces a pair of coupling slaves and the apostle Paul is introduced with ideological designs on the male slave, a promising orator he hopes to use in the service of Christ. Paul's epistles intrude, and there is a nice comic moment when he loses track of where each of his correspondents is located, while the American evangelist amplifies Paul's message into a political ideology. The lesson of Mr Darke's play is that the Christian message has been corrupted from the beginning.

John Stock, in his present incarnation under the direction of Richard Wilson, displays a real sympathy for the finer theatrical touches of the writing. With the musical direction of Andrew Dickinson to guide them, the actors provide



Shona Morris (left), Judy Eltrington, Richard Howard

seductive gospel music while Paul converts the slave, Onesimus. The musical skills of the company are well integrated elsewhere in the ensemble acting and they give the production much of its entertainment value.

Perhaps Mr Darke's symbolism is simply too blatant for the main opposition to Philip Donaghy's Paul is an artist imprisoned for painting. Her vaguely feminist doctrine has roots in *The Golden Bough*, but her critique is ephemeral: Mr Darke is bold in his theatrical pictures, but frail in his arguments. Irving Wardle put his finger on it in another context when he said we were constant "suckers for the pastoral fallacy", and that is the play's great weakness.

Some of the reviews on this page are reprinted from yesterday's later editions.

### Nosferatu

Stratford East

#### John Percival

When you have a company of only six dancers, to lose one through injury must be alarming. The ambitiously named English Dance Theatre, on a rare foray to London from their Darlington base, did not let that hamper their presentation of *Nosferatu* at Stratford.

Below last night, although valiant adaptations were apparent. The character of Minn disappeared from the plot, but from the choice of music it seems that there must always be a contrast between the mainly serious first part, danced to Poulenc's *Organ Concerto*, which proves surprisingly apt, and the largely flippant second part, accompanied by extracts from *Peer Gynt* and *Carmine Burano*, with a snatch of Strauss's *Zarathustra* added for the new scenes.

Actually, the mixture, however disconcerting, proves rather entertaining. Rovers

curtain-raiser, a treatment by Ross McKim of *The Rite of Spring* (well, half of it) for three dancers, in which Vivienne Rochester made a powerful impression as the chosen victim.

I am not sure how far the changes in the *Dracula* ballet may have altered the balance between the two acts, but from the choice of music it seems that there must always be a contrast between the mainly serious first part, danced to Poulenc's *Organ Concerto*, which proves surprisingly apt, and the largely flippant second part, accompanied by extracts from *Peer Gynt* and *Carmine Burano*, with a snatch of Strauss's *Zarathustra* added for the new scenes.

Actually, the mixture, however disconcerting, proves rather entertaining. Rovers

McKim is able to switch from self-disgust to courtly charm as the undead hero, and his menaces are as convincing as his comic moments. At the moment of death, you almost expect to see his clenched hand, raised in the spotlight, change into fleshless bones, just as in the movies.

It seemed odd to have his attendant spirits at one point enticing honest Jonathan with crosses, but Sue Little makes a notably pale and interesting Lucy, who becomes a lot less bloodless when Nosferatu starts to court her in a wittily impassioned duet. She and McKim are joint choreographers of the ballet, but I suspect that each took charge of certain scenes rather than trying to do everything between them. Their different temperaments seem to make a good match.

burners went out. But the momentum (over 20 mph by now) took Nott safely up to 56,000 feet and a new world record for Britain. So far, though, the Paris-based International Aeronautic Federation has refused to recognize the record on the flimsy grounds that Dickinson's ejection breaks the rules. Allons, messieurs—ce n'est pas cricket! Nott is now planning a round-the-world trip in a balloon twice the size. I would seriously advise him to back time to get a French beer

## LPO/Sanderling Festival Hall

### William Mann

We in Britain first learned to respect Kurt Sanderling from records of Russian music made during his years of conducting in Russia. He has long since returned to his native Germany during his current period of work with the London Philharmonic Orchestra, he will give us a programme of Rachmaninov, but on Tuesday night he stayed with the German masters—or rather, Austrian, since the composers were Mozart and Bruckner.

The symphony was Bruckner's third, sometimes called the Wagner Symphony, because it is dedicated to him, and originally contained quotations from Wagner. Wisely, no doubt, Bruckner removed those last, at an early stage. It would be fascinating to hear that original version, or at least know what was quoted there; traces can still be heard of possible references to *The Ring* (I have counted three), but they are not now as significant as Bruckner's debts to Beethoven and Schubert, which were to remain fundamental to his symphonic language.

If Wagner's name had never been mentioned, Bruckner's third symphony would still command attention and affection because so much of the seminal

Bruckner is to be heard in it for the first time, and so much that is perfectly typical of his musical imagination, even though it may have to trace an exact parallel elsewhere. A famous example is the second subject of the finale, an elegant dance-measure for strings directly confronted by a solemn chorale on the brass: its inspiration was, supposedly, a festive ball just across the street from which the corpse of a nobility was lying in state. The explanation is convincing.

This was one passage potentially realized in Sanderling's interpretation, not merely simultaneous light and shade, but lilting elegance tripping out from the sombre half-light and stillness of the hymnody. He realized the beginning of that finale vividly, like a flight of caving rocks approaching from over treetops. The scherzo was scrupulously, and poetically, paced and balanced. Throughout he drew string playing of singular sweetness, though perfectly firm, from the WCO whose brass, however, could have profited from a firmer directorial hand.

It was a strong, attractive, properly classical reading, a fair match for that finale of Mozart's *K.453*, F major piano concerto, in which Jean-Bernard Pommier took on the solo part for the lately deceased, and regretted, Hans Richter-Haaser— a young man's response, but sage as well as keen.

## BBC Singers/Poole

### Queen Elizabeth Hall

#### Paul Griffiths

It is all too easy to confuse national character in music with the particular qualities of an outstanding composer's style; to assume, for instance, that there is something specifically Hungarian in Bartók's music that ought to be expressed too by his composers. The faleness of that notion was well demonstrated on Tuesday by the BBC Singers under John Poole in a programme that started with Bartók and continued with pieces by two later Hungarian composers, Ligeti's *Lux* and György Kurtág's *Omaggio a Luigi Nono*, neither of which sounded particularly Hungarian simply because neither of them is at all Bartók-like.

Ligeti, of course, has the sense of having been an exile for much of his life, but Kurtág, his close contemporary and fellow Transylvanian, stayed at home: he is, indeed, generally regarded as Hungary's foremost living composer. He is also an amazingly modest artist. The new piece for unaccompanied chorus, *After the interval there was the London premiere, with John Scott exuberant at the organ, and Gareth Roberts a pure tenor soloist, of Maxwell's cantata *Solitude of Light*, a miracle of simplicity and undeniably, surely, Orkney music to the bone.*

## The Who

### Rainbow

#### Richard Williams

There are two versions of *The Who*. The first and more popular is the machine which triumphed in an orgy of wrecking at Monterey and which has pumped out *Tommy* all these years; this Who, personified by Roger Daltrey's self-assurance, the second, and more interesting, speaks with a quieter voice, for articulates Pete Townshend's private vision, and is riddled with doubt. Its tone is his, bruised and romantic; this Who began with "The Kids Are All Right", and was heard in most of the remarkable and under-regarded *By Numbers* album of 1975.

There were signs during Tuesday's concert that Townshend hopes to bridge the gap between these contrasting incarnations; it was noticeable, for instance, that he took a more prominent role than usual, assigning himself a heavier vocal burden. The volatility of the group's character and the persistence of Townshend's own demons, which drove him to demolish several of the later songs (notably "Long Live Rock" and "Pinball Wizard" with gratuitous monologues and meaningless guitar interludes, will probably keep this dream eternally unfulfilled.

If the concert developed unattractively, it began solidly enough with pleasingly truncated versions of "Substitute" and "I Can't Explain" (although the extended choruses on the latter were a puzzling intrusion, and a shrieking loud "Babe O'Riley").

Several songs from their forthcoming album were performed, among the most

## Picasso graphics to go

### on tour

*Picasso Graphics*, an exhibition of about 120 original prints, will go on show at the French Institute in South Kensington from February 17 until April 1 before being toured by the Arts Council to Jarrow, Milton Keynes, Rochdale, Wolverhampton and Bristol.

An exhibition of work by students at art colleges throughout Britain, *New Contemporaries*, will take place in all three galleries at the Institute of Contemporary Arts from February 21 to March 8.

## immediately notable being

"Don't Go" that Coe built on loose bluesy cadences which suggested that Townshend has been listening to Bruce Springsteen and "Just Another Tricky Day", which made the best possible use of the band's blend of hard rock and vocal harmonies.

A thunderous "Won't Get Fooled Again", decorated with pin-striped fans of green laser light, and various extracts from *Quadrophenia* were also worthwhile, but "Sister Disco" and "Music Must Change" were overly bombastic, and they should consider giving "Behind Blue Eyes" a rest from its role as their token concert ballad in favour of "They Are All in Love" perhaps. Elsewhere, the preponderance of extended codas, slackly improvised at Townshend's behest, spoiled the flow.

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McKim is able to switch from self-disgust to courtly charm as the undead hero, and his menaces are as convincing as his comic moments. At the moment of death, you almost expect to see his clenched hand, raised in the spotlight, change into fleshless bones, just as in the movies.

It seemed odd to have his attendant spirits at one point enticing honest Jonathan with crosses, but Sue Little makes a notably pale and interesting Lucy, who becomes a lot less bloodless when Nosferatu starts to court her in a wittily impassioned duet. She and McKim are joint choreographers of the ballet, but I suspect that each took charge of certain scenes rather than trying to do everything between them. Their different temperaments seem to make a good match.

burners went out. But the momentum (over 20 mph by now) took Nott safely up to 56,000 feet and a new world record for Britain. So far, though, the Paris-based International Aeronautic Federation has refused to recognize the record on the flimsy grounds that Dickinson's ejection breaks the rules. Allons, messieurs—ce n'est pas cricket! Nott is now planning a round-the-world trip in a balloon twice the size. I would seriously advise him to back time to get a French beer

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# How close are civil servants to a war?

Leaders of unions representing 500,000 civil servants meet today under chandeliers in the Law Society's offices to plan a further step toward a serious confrontation with the Government over its policy of pay restraint.

The battle lines were drawn up late last year when the Government decided that the system of pay research in the Civil Service was to be dropped in favour of cash limits as the determining factor for pay increases this year.

The cash limit will not be announced for some time but will come nowhere near matching the 15 to 20 per cent claim which the unions are expected to agree today. Mrs Margaret Thatcher told the Commons in November that money available for pay rises for government employees would be "broadly within the same financial disciplines" as the 6 per cent allowed for local government pay awards.

With such stark differences between the white collar civil servants and their employers, it looks increasingly likely that a pay battle, on which the wealthy unions are prepared to spend more than £3m, will begin next month.

selective strikes and lightning walk outs.

The unions' aim is to hit government operations rather than the public.

Areas favoured for action include government computer centres which process revenues, such as the Customs and Excise at Southend and the PAYE computer, which would curtail government ability to collect revenues, with the inevitable effect on the Public Sector Borrowing Requirement.

Union leaders claim that with £3m already pledged to finance the action and the prospect of further funds from voluntary levies of members starting this week and next, they will be able to manage a prolonged dispute. They estimate that they will need some £300,000 a week to pay 85 per cent of the salaries of those members either on strike or suspended by their employers.

Suspensions are likely to be the Government's first line of defence and there is confidence in Whitehall that the Government will be able to ride out the storm. It is stressed that the unions cannot, and will not, be allowed to win, as concessions allow many other state employees to slip through the pay restraint net.

The Government's contingency plans for prolonged action include insisting on employees transferring to posts left by staff who have walked out, so long as the work falls within their grade. Refusal to "blackleg" would lead to suspension without pay.

There is also scepticism in government circles about the willingness of workers in key areas, such as computer centres, to be used as shock troops, although the unions counter that such groups have pledged to take action. In any case, the knowledge that they will receive virtually all their normal salary from the unions while on strike is likely to sweeten the pill.

While the union leaderships are hoping not to take action which would disrupt payments of social security and unemployment benefits, they are coming under increasing pressure from members in the departments of Health and Social Security and Employment for some kind of action.

This will be resolved by the end of the month when the unions will have to take a decision in principle on action which could cause hardship to the unemployed and poorer sections of the community. It could prove difficult to restrain militants in the DHSS computer centre at Newcastle, for instance.

Such is the grievance felt that moderate groups such as the First Division Association, which represents senior Whitehall grades, and the Inland Revenue Staff Federation are committed to the campaign of industrial action to re-establish pay comparability system.

The system is unlikely to be reactivated in its present form and the unions are pressing for modifications, including making the agreement binding on the Government. The Government has said that it does not want the Pay Research Unit to start collecting information for next year's negotiations.

Instead the Government wants the unit to update in the Autumn the reports drawn up for this year's pay round. The unions are reserving their position on this and hope to divorce the issue as far as is possible from this year's negotiations for which they have set a three week deadline.

With other challenges to its pay policy from workers in the public utilities and the prickly question of the negotiations covering 250,000 NHS ancillary staff still to be resolved, the Government cannot relish the prospect of a confrontation with civil servants. Thus, over the next few weeks the feverish activity in Whitehall on plans to combat the action will continue.

David Felton

The death of Samuel Barber prompts the asking of a question that has usually been altogether avoided on the ground that it can only give offence, and even when asked has been couched in terms so roundabout and obscure that it has been quite meaningless to the bystanders. Now whatever else they say about me they rarely if ever claim that I am inflexibly averse to giving offence, so here goes, though perhaps I had better say before I begin that I do have an answer to the question, and it is one that, considered aright, robs it of offence even in my mouth.

The question is: why, in the two centuries of its existence, has the United States not produced a single composer of the first or second rank, and only one (Aaron Copland) of the third? No, I shall not permit a denial of the premise; consideration will be given only to candidates who accept the proposition and attempt to explain it. I am, however, willing to gloss it before the bell rings, and I can do so by rephrasing it thus: why has American music still not risen to the level of, say, Mendelssohn? (Candidates attempting to drag in composers who became naturalized Americans, or even who did no more than live there—Schoenberg, Bloch, Gershwin, Stravinsky—will not only receive no marks but will be sent to bed without any supper.)

Sousa is fun, of course, and apart from Copland is about the only American composer whom music-lovers in the rest of the world have ever heard of, or need to have heard of for that matter; there are those who have good words to say for Charles Ives and Carl Ruggles, though the number of good words generally tends to vary in inverse proportion with



Two of America's best known composers: Aaron Copland (left) and the march king John Philip Sousa.

the amount of the composers' work the speakers have actually listened to; Roy Harris, in my experience, is not altogether unbearable; but after these, who?

Barber himself, though I have no doubt he behaved perfectly towards his family, invariably paid his rent on time and never kicked a cat in his life, was a composer whose work exuded such stupefying tedium that it would have been better all round if a millstone had been banged about his neck, and he had been cast into the uttermost depths of the sea. And he was a considerable improvement on most of the rest. Come, would you have been better off gobbling like drug-crazed turkeys since I started this willingly go to a concert consisting of, or even containing, the work of Walter Piston, Virgil Thomson, Elliott Carter? Or would you have been better off not believing, how about Paul Creston, Roger Sessions, Deems Taylor? And if you still unblushingly stand there and pretend the answer is yes, tell me whether you would be will-

ing to stake your life on your chances of remaining awake to the end of a concert of the music of any or all of them?

Two hundred years is far too long a span to be represented musically by such inadequate standard-bearers, and if you claim that it isn't, that an artistic tradition needs even longer to strike root, grow and mature, the argument breaks down at once as soon as you try applying it to literature. America has not yet produced a Shakespeare (nor has any other country, though), but she has produced Herman Melville, Henry James, Mark Twain, Eugene O'Neill, Ralph Waldo Emerson, Scott Fitzgerald and at least a couple of score more writers worthy to be compared with these, and there not a single composer (apart, as I say, from Copland) who can be considered their equivalent. Why ever not? Why has American music been dominated by a deadly academicism, why so many hundreds of thousands of bars without a spark of life in any of them?

The answer, I am sure, is not to be found in the curious habit that art has of popping up in one country in one form while emerging simultaneously in another country in a different form altogether. Why, for instance, did England produce playwrights while Holland was turning out painters, and not the other way round? Why have the German-speaking lands given the world at least eight of the dozen greatest composers? Why, considering the gigantic proportion of Jews among leading violinists and pianists, have there been only a tiny handful of Jewish opera-singers of outstanding quality? I do not know the answer to any of these questions, but I do not believe that such inexplicable accidents (for whatever reason they are not accidents) explain the American musical desert that stretches from the Declaration of Independence to the present day; apart from anything else, two centuries is quite long enough a period to have supported

several flowerings of musical genius if there were any seeds in the soil.

At this point, of course, when the audience has for half an hour been watching my left hand manipulating the yellow handkerchief, I am ready to draw attention to what my right hand, quite un-noticed, has been doing all this time. For the truth is that the United States has not only produced a succession of composers whose work has rightly established itself throughout the world; she has invented and developed her own wholly unique musical art form which has never taken proper root in any other country. That list of terrible bores above consists of the American composers who have rowed against this giant river and who have therefore been fast to perish, utterly in its waters, while those who caught the tide have sailed into immortality on it.

I am not technically equipped to discuss the origins of the modern American musical comedy or what it has drawn

from jazz, the Negro spiritual or the work of Stephen Foster and Victor Herbert. But it is not necessary to set it in its historical framework to recognize it for what, at its best, it is: a body of creative achievement that is indeed worthy to stand beside—precisely because it is not competing with—the body of European music, and not suffer from the comparison. He who will deny that Gershwin and Porter, Kern and Sondheim, Rodgers and Berlin, Loewe and Bernstein, are composers of the highest quality (and some of them also lyric poets of no little distinction) will make himself foolish. The trick is to stop looking for the American successor to Beethoven and to start looking for American composers who are not the successors to anybody. And as soon as we look in that direction, we see the stage crowded with music.

Looked at, like that, the pattern of American music is no more (though no less) mysterious than the Italian pattern which ensured, whatever it thought it was doing, that Italy produced operas but not symphonies. There was no reason why Italy should not have produced a race of symphonists while she was also producing Verdi, Donizetti, Rossini, Puccini, but she didn't. There was no reason why America should not have given birth to an Elgar, a Vaughan Williams, a Britten, while she was nurturing that remarkable brood I have listed above, but she didn't. What she did send forth in that field doesn't bear thinking about, let alone listening to; possessing what we do of what she sent forth elsewhere, it is unnecessary for us to do either.

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## Ronald Butt on the impact of the social democrats

# A menace or a blessing for Mrs Thatcher?

Should Mrs Thatcher be worried by Dr Owen and Mr William Rodgers? There is a thesis that she should be, and even inside the Cabinet there are some who are apprehensive that an embryonic social democratic party will do her considerable harm if Mrs Thatcher persists in refusing to generate some economic expansion to counteract the steady rise in unemployment.

Such misgivings will no doubt have been heightened by the MORI poll findings in The Sunday Times last weekend that both Mr William Rodgers and Mr Ian Wigglesworth would be in danger of losing their north-eastern constituencies if they stood as social democrats in an election held now. For Sunday Times readers, much of the support that the social democrats would receive would be taken not from the Labour Party but from people who had voted Conservative in 1979 and are now thoroughly disenchanted with the Government.

Now there is an argument that an effective social democratic party would be a menace to the Tories. It is the view of the Labour Party that have kept the Conservatives in such flourishing business these many years. The sort of change which the founding fathers of socialism committed the Labour Party to is deeply unpopular. So is the instinct, from which a large part of Labour can never quite escape, that it can properly have an understanding relationship with Marxist-Communism.

Because the formal creed of socialism is unconvincing and unpalatable to most people, the Labour Party in practice has hitherto had to modify it. That is also why other socialist parties abroad have become social democratic, and why in 1959 the Gaitskillites tried and failed to emulate them by ditching the Clause IV commitment to wholesale public ownership. Successive postwar Labour politicians have opted for a mixed economy and firm support for the Western alliance. Yet to the great advantage of the Tories, Labour has never managed to make the clean break to social democracy, and has remained like a man trying to ride two horses at once.

Now, for reasons too familiar

to need repetition, the left has achieved an ascendancy in the Labour Party it has never previously enjoyed, and the danger of the social democrats are on the brink of breaking away. Today, their first national advertisement for supporters for the new Council of Social Democracy appears in The Guardian. How apprehensive should the Tories be at the prospect of being faced by opponents without the handicap of the leftism that has alienated much support from the Labour Party and who may capture Conservative votes?

In the long run, an effective social democratic party would be obviously a danger but I do not think Mrs Thatcher has much cause yet to worry about its impact. So far as the poll findings in Mr Rodgers and Mr Wigglesworth's constituencies are concerned, I doubt very much whether the country as a whole in a real election, now or later. It is only natural that some Tories in safe Labour seats (as these are) should plump for the social democrats in order to ward off the prospect of the Labour Party being a less disasteful voting option, and in the process to shake the Government out of its present attitude to economic expansion. After all, Tories lose jobs too.

Even in a different sort of constituency, "voters" might be tempted to express their annoyance with Mrs Thatcher in their answers to pollsters, when there is nothing to lose. But it is hardly conceivable that disaffected Tories would vote for social democrats in any number in marginal seats if they could see that the result was simply to let in a much more socialist Labour candidate. That is why I doubt very much whether the existence of a new social democratic group can do anything in the early stages except help Mrs Thatcher by splitting the left-wing vote.

roots organization which already exists in the Social Democratic Alliance, and of which I wrote last week.

Indeed, far from being pleased by Lord George-Brown's sally into the lists at the head of the SDA, by the existence of the SDA's grassroots and regional organization to which they could graft themselves, the council of social democrats have even been bringing a little pressure on the SDA to wind itself up.

It almost seems that top people's social democrats do not really care for grassroots at all. Their problem is that if they really do wish to create a party in their own image from scratch, it is not at all clear that the ingredients for such a party exist in the country. Large though the country rightly admires them for their stand against the subordination of parliament to the left-dominated Labour Party.

Whether or not they succeed in getting off the ground, the warning they have given to the Labour Party in the interests of parliamentary liberty is a great public service. But their chances of building up a new party must depend on having a popular base. I do not wish to overstate the importance of the SDA. It is a pressure group just trying to give birth to a new political party and no more. But we always tend to under-rate pressure groups until we wake up one day and find that they have changed the climate around us.

Nor do I wish to dispute the suspicion of many parliamentarians that the SDA's leadership is the leadership of the SDA have ceased to be social democratic in any sense that they understand, and are more concerned simply to wreck the Labour Party. Nevertheless, the grassroots of the SDA represent something vital in the Labour tradition and it will be disadvantage for the Council of Social Democrats if they show themselves unwilling to respond to public opinion, but only anxious to tell people from the inside what to do.

If this is to be the basic approach to building a new party, and if at this early stage the various brands of social democrats are at odds with each other, I do not think that the Tories have much to fear from them—provided Mrs Thatcher does not forget that the Tories have to respond to public opinion too.

## If you're Chinese, happy new year

The lanterns are hanging in Waford, Street, Soho, every home, shop and office has been given a good spring clean and all self-respecting Chinese have bought peach blossoms. Today it is the Chinese New Year, beginning the year of the cockerel, and last night those who weren't serving up the lemon chicken, boiling the bean sprouts or carving the vegetable platters rarely came before business in a Chinese restaurant — were sitting around the fire at home, waiting away the last hours of the year of the monkey.

Those of us who do not work according to the lunar calendar are always a little mystified by the Chinese celebrations. Barely has the temporary brain death of our own Hogmanay worn off when the Chinese revive the idea. But the Hong Kongers playing hokey-hokey under a sheer, the masks, the firecrackers, the lanterns and all the other dressing up and making merry which will be seen on the streets of Soho on Sunday are only the public manifestations of a private and mostly domestic procession of rituals.

Each day has its special duties, events and food, as set down during the Sung dynasty which lasted three centuries until 1279 AD. Last night, for instance, the Chinese would eat bowls of peanuts, melon seeds and preserved fruits which symbolize good luck for the future, longevity and happiness. And they would normally eat chin duy, a mix of peanut, sesame seeds, poppyseed and molasses shaped into a ball and fried.

Today is a day for the family and close friends. Everyone will dress in new clothes, to cast off the memory of the old year, and between overeating and overdrinking there will be gambling. Red packets of money will be given from parents to children and from married couples to their unmarried friends.

Tomorrow is Kaiten, the proper beginning of the year, when friends are invited to lunch. It is also the traditional time for employers to give their workers the bonus without too much embarrassment. A



New year, Soho style.

boss can either give the immensely redundant a piece of chicken or praise him for his good service over the year: both are euphemisms for the sack. The third day of the new year is best spent indoors alone. If you meet people on this day you will squabble with them for the rest of the year. The fourth day celebrates the kitchen god who is meant to return from heaven on that day having reported on moral behaviour of the previous year. The next celebrates the god of wealth and the earlier you get out of bed, the more you can expect. And so it goes on until the 15th day, February 12.

Soho is now the centre of the Chinese community because of the business and employment concentrated in the area. Of the 100,000 Chinese British, 80,000 live in London, yet there is no Chinatown in London any more. That used to be around the docks, in Limehouse, before creeping gentrification made the business and employment of new political parties. The Chinese have now merged themselves into the fabric of British life—no more secret sects, no more ominous decisions, no more putting their big new year parade off until Sunday to prevent disruption at work.

Nicholas Wapshott

## LONDON DIARY

### Collins wins the life of Jim

I am able to end weeks of speculation by reporting that James Callaghan (you remember him, don't you, from the dim and distant days. Before Wembley?) is to write his memoirs after all. The book, as yet untitled, will appear next year and will be serialized simultaneously in The Sunday Times.

Competition among publishers to secure Callaghan's signature on a contract was intense, but there was never any real doubt that the winner would be Collins, who produced his only other major literary work, A House Divided, Callaghan's analysis of the Northern Ireland question which appeared in 1973.

The author is currently visiting Australia until February 16, but I gather he has already started work on the project. As researcher and adviser he has enlisted the help of Bernard Donoghue, who was his senior policy adviser at Downing Street

and is now at The Economist Intelligence Unit.

"It will be a contemplative look at his whole career, more like Butler's memoirs than Wilson's chronological account of his term of office", Donoghue told me yesterday. "But it will also look forward." Callaghan has plenty of material to draw on, starting with his job as a trade union official in the Inland Revenue in the 1930s and proceeding through war service to a 35-year parliamentary career embracing more high offices probably than any other politician this century—Prime Minister, Chancellor of the Exchequer, Home Secretary and Foreign Secretary.

Richard Ollard of Collins, who will act as editor of the book, told me that it would be "an emphatically personal memoir". Helping no doubt, by the fact that Callaghan and Ollard first met as naval ratings in 1943.

### Irish stew

Poor old Ireland is under attack from the superpowers. Last week the private thoughts of Robin Berrington, a diplomat

at the American Embassy in Dublin, were unfortunately leaked to the press. He described the country as "pretty small potatoes compared with the rest of Europe" and said its climate and food were well matched.

The poor man has since been recalled to Washington, but at least he said the Irish were "warm, lively human beings" compared with the "insufferable" English.

Now The Irish Times, which landed Berrington up to his neck in a peat bog by publishing his thoughts, is quoting chunks from a book on the country by a former Tass correspondent in Dublin, Yuri Ustinov. He too found the people lively, spontaneous and devoid of the "ostentatious indifference which the English often displayed."

But he was not at all enamoured of the poor service in shops, Irish newspapers, attitudes to religion, the conversational habits of the people, and the climate. Snowfalls, he said, were considered natural disasters, like earthquakes, which brought the country to a halt.

But he was especially savage

about the mushrooms. Russians are absolutely potty about mushrooms, but those he found on Irish plates were soaked and tormented out of all recognition. Food, he concluded, was for the Irish not a pleasure but a severe necessity.

You might reasonably expect the natives to be huffy about such unflattering observations, but one reader's letter to The Irish Times has applauded Berrington's perception and suggested he be made American Ambassador.

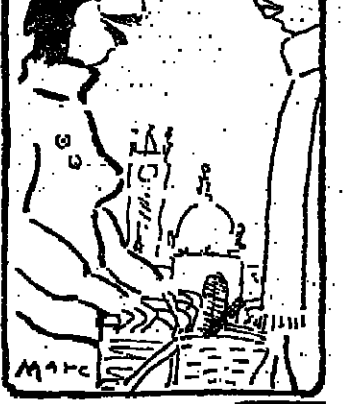
### Out of office

Inventing a new political party has its pitfalls. Dr David Owen, MP, who is rapidly emerging as the most aggressive promoter of the Council for Social Democracy—the embryo stage of the new baby—has found few friends in the overheated Norman Shaw Building, the former Scotland Yard that now serves as Commons overspill accommodation a short distance along the Embankment.

Proof of the appeal of a new centre party has been the huge volume of mail, often amounting to a thousand letters a day in Dr Owen's case, arriving

from potential supporters. Owen was being crowded out of his office, so he asked if he could have some extra space in the Shaw Building.

First, he was allotted room in the research centre on the top



floor of the building. "Alas, his secretaries had hardly got to work with his letter openers when the complaints began to arrive from some of his erstwhile Labour colleagues not noted for their enthusiasm towards his breakaway project. They said he was interfering with the work of their research assistants, and the intruders must be removed."

Next, the authorities offered the secretaries' rest room, which is not much used. No sooner had Owen's handmaidens moved in there with their mail mountain, that the secretary of an umbrella MP felt poorly and wanted to lie down. Her condition was not alleviated by the surrounding bustle.

Another protest followed. The four extra secretaries, who are now a day behind in tackling the mail mountain, were moved back again to Dr Owen's office, where the pile of letters, awaiting reply currently fills every nook and cranny. Efforts are now being made to find an office in another building.

The whole episode must be causing some very amusing to those few MPs, among them Enoch Powell, who managed to

conduct their parliamentary business with no desk, no telephone, no House of Commons secretary, and a mere cupboard in which to keep their papers.

Signs of the times. A Manpower Services Commission job-finding computer installed at 15 London Jobcentres has been declared redundant, at a saving of £3m a year. There are not enough jobs available to make it economical.

### Standing order

Residents of Berkshire are eagerly awaiting the first meeting of their county council in its opulent new Shire Hall at Reading. The new hall, to serve a county with a population of less than 700,000, is believed to have cost substantially more than the £25m paid for European Parliament's headquarters in Strasbourg, though the actual amount has yet to be divulged. Unfortunately, the architects designed the council chamber with no accommodation for 76 members. Berkshire county council has 87. It is, apparently, the fault of

the Boundary Commission. They had proposed that the number of Berkshire's councillors should be reduced, but the matter is still undecided.

The county's administrators insist that everyone will find a seat when the council meets at the end of this month. It is the ninth mistake has occasioned in the local press, they insist, that is out of place. True, only 76 seats were provided for members, but there are 112 in the council chamber all told. Twenty are needed for chief officers and there are six beneath the desks for clerks. But not enough for the 76 councillors, so there should be two seats spare.

Other papers owned by Mr Rupert Murdoch are clearly trying to emulate the class of the one which may become his next acquisition. A Tasmanian reader wrote in the letters column of last Tuesday's edition of The Australian: "I have just noticed my first Murdoch takeover of the seasons and so early in the year. Is this a record?"

Alan Hamilton











**LAING**  
make ideas take shape

**Stock markets**  
FT Ind 478.9, up 2.3  
FT Gilt 69.47, up 0.08

**Sterling**  
\$2.3575, up 60 pts  
Index 104.1, down 0.1

**Dollar**  
Index 98.6, down 0.9  
DM2.1122, down 218 pts

**Gold**  
\$505.50, up \$17

**Money**  
3 mth sterling 131.131  
3 mth Euro \$ 17.1614  
6 mth Euro \$ 16.161

**IN BRIEF**

**Revised  
borrowing  
limits for  
state groups**

The Government has announced new borrowing limits for the National Enterprise Board, BL and Rolls-Royce. Presenting these to the Commons as amendments to the Industry Bill, Mr Norman Tebbit, Minister of State for Industry, said that in view of the disposal of its assets, the limit for the NEB was being reduced to £750m.

Other amendments increased the Secretary of State's borrowing limit to £4,400m with the power to increase that by order to £5,250m. Of that sum, £2,900m related to BL and could be increased by order to £3,250m. The limit for Rolls-Royce was £1,500m, increaseable by order to £2,000m.

Mr Tebbit said that the figures in the Amendments to the Bill were much larger than the £900m needed by BL over the next two years, and which were accepted and announced to the House last month by Sir Keith Joseph, Secretary of State. This was because the sums also covered external lending from private sources.

**Goods origin ruling**

Government orders now require an indication of country of origin in five consumer goods sectors—textiles, clothing, footwear, cutlery and domestic electrical appliances. Business Diary, page 19

**Shoe group rescued**

Norvic Securities, the Norwich-based shoe manufacturer, has been saved from receivership by Barclays Bank which yesterday agreed to lend the group £750,000. If the money had not been raised, receivers would have been appointed tomorrow. Financial News, page 20

**Less energy used**

Energy consumption in the United Kingdom dropped 7.4 per cent last year, in line with the estimated fall throughout the 21 member countries of the International Energy Agency. It was the first fall in energy consumption in Britain since 1975.

**Japan car exports**

After two days of talks in Lisbon, Japanese car makers have agreed to be "even more prudent" in their exports to the United Kingdom.

**Kuwait stake**

Kuwait has bought a further £25,000 shares worth £1.6m in General Accident Fire and Life Assurance. Kuwait now holds 10 per cent of General Accident.

**GKN redundancies**

GKN, the largest employer at Telford, Shropshire, has expected to announce 1,000 redundancies, a quarter of the workforce, at Hatfield Castle today.

**£5m for MG site**

Standard Life Assurance has paid just over £5m for the 42-acre site of the former G factory at Hatfield, Oxfordshire, which it intends to develop as an industrial estate.

**Wall Street steady**

The Dow Jones industrial average closed 0.65 point up to 941.98. The S-DRS was 1.24034. The £ was 0.527468.

**Government may have  
ruled out cash support for  
Duport steel group**

By Peter Hill and Philip Robinson

Duport, the troubled Midlands steel and engineering group, is expected to make an announcement on the future of its steelmaking operations later today.

Senior executives of the company were engaged in discussions yesterday after a meeting earlier this week between Sir Keith Joseph, the Industry Secretary, and Mr Eric Sayers, Duport's chairman.

It appears, however, that Sir Keith was unable to offer any hope of the Government providing funds to enable the company to ride out the present crisis, and that Duport was made aware of the Government's anxiety to make positive progress on the so-called "Phoenix" project.

This involves a two-part rationalization of the areas of overlap between the public and private sectors of the steel industry. The first "Phoenix", which is well advanced, involves the formation of a joint venture company between the BSC and GKN, embracing their steel billet, bar and rod production.

"Phoenix two" embraces engineering steels, where overcapacity is excessive, and in which the BSC, Duport, and other private sector companies would be involved.

Yesterday's discussions in London are understood to have involved talks with executives of the British Steel Corporation and Lazard Brothers, the merchant bankers retained by BSC to advise the corporation in its discussions on plans for the rationalization of the industry.

The company's statement is expected to centre on the future of the modern electric steelmaking plant at Llanelli in south Wales, developed at a cost of about £23m, which is considered to be the main factor behind heavy losses sustained by the company.

After first half losses of £4.5m last year, City estimates suggest that Duport's second half losses could amount to between £10m and £12m.

Mr Sayers said after his hour-long meeting with Sir Keith on Tuesday night that the company expected to make a statement on its future the next day.

"There have been certain developments since last night which have caused us to defer the issuing of a statement until Thursday," he refused to elaborate on the nature of those developments or to say whether the statement could be regarded as encouraging.

The Bank of England is known to have withdrawn from

the mediating role it was playing as late as last week in attempts to resolve the company's difficulties.

The Bank's withdrawal from the talks is understood to have been prompted by the fact that Duport was in more direct discussions with the people who might provide a solution to its problems.

The Midlands Bank, the company's principal banker, confirmed last night that it had held no meeting with Duport directors at any time yesterday, although it has been in close contact over the past few weeks.

British Steel is anxious to pursue the rationalization of the overlap areas in the context of its own survival plan. The industrial logic behind its approach to "Phoenix two" appears to be that the Duport Llanelli plant lacks the type of facilities which would secure its long term future and also that its distance from major industrial markets must be considered.

The corporation's principal interest would seem to be in the plant's order book which it could take for itself.

In the Stock Market yesterday Duport's shares eased 1p to 39p where it is capitalized at £3.9m. Last week the shares halved 12p before staging a sharp rally to 11p.

**Shell stake in £30m Shotton plant**

By John Huxley

Billiton (UK), a minerals subsidiary of the Royal Dutch group, is to take a 62.5 per cent stake in the £30m Shotton plant, north Wales.

The move, foreshadowed in a report in *The Times* last week, will see the plant, which will take a 62.5 per cent stake in the Shotton plant, north Wales.

Rolls-Royce, previously the sole shareholder, will retain 20 per cent. The remaining 17.5 per cent holding will be taken by the only British titanium smelter.

Deside Titanium was originally started in 1979 by the National Enterprise Board, which subsequently transferred its holding to Rolls-Royce. It has been known for some time that private sector investors would be brought in alongside Rolls-Royce. Shell disclosed its interest in acquiring a share in the new company last March.

The new plant, being built on land near to the site abandoned by British Steel. Altogether some 6,500 steel jobs have been lost in the area. Deside Titanium will probably employ no more than 300 workers, although it is estimated that it will increase production of titanium sponge in the non-communist world by about 10 per cent. Output is likely to grow to 5,000 tonnes a year.

For some time it has been assumed that Rolls-Royce will be a preferential buyer for the high-grade metals produced, which will be used primarily in aircraft production.

The plant replaces an existing facility which is due to close down. There is a worldwide shortage of titanium at present, and the Shotton plant is one of several new sources expected to come on stream over the next few years.

At a meeting on Monday the company agreed with the six unions representing the 1,600 workers threatened with the loss of their jobs, to continue the change of policy comes after intense pressure from local and national interests.

The agreement is to allow further meetings between the union and the company, and to enable the unions to make more representations to the Government. The company has agreed to give all information about the choices considered at the study the size and type of redundancy settlements.

But the chances of sugar refining continuing much longer at Liverpool seem remote. When announcing pre-tax profits of £32.5m for last year, Tate said that total losses attributable to the Liverpool operation were £10m. At best, the ancillary activities such as sugar distribution may be kept open.

The difficulty arises from oversupply of sugar to the British market, complicated in Tate's case by a Community regime which favours sugar beet over cane. Tate's cane is traditionally processed and shipped by Tate.

But the workers in Liverpool, where unemployment is running at 15 per cent, still face redundancy on April 22.

**Bank chief's  
warning on  
windfall tax**

By Roman Eisenstein  
Banking Correspondent

In the first public response by the banks to renewed talk of a "windfall" tax on profits, Sir Jeremy Morse, chairman of Lloyds Bank, said last night that banking profits were "already on the downward trend".

He said that, taking the business cycle as a whole, "bank profits, or from being excessive, are barely adequate to maintain free capital in real terms".

Sir Jeremy, who was speaking at a bankers' dinner in Croydon, Surrey, said that the banks would need to help the economy in recovery when it came. "Nobody wants unprofitable banks, least of all at this time, if we are to see our industrial customers through their troubles", he said.

Although he did not mention a windfall tax, Sir Jeremy hinted that the banks were already offering help to industry beyond their previous expectations.

The troubles of our industrial customers are reflected in our bad debts", he said. "We have the same urgent need to contain costs, including salaries, and our international earnings are adversely affected by the strength of sterling."

While proclaiming monetarism to be "thoroughly welcome" at the theoretical level, Sir Jeremy said that neither the United States nor British monetarist experiments "appears to be working satisfactorily".

He quoted two reasons for unemployment—the absence of an incomes policy and the strength of the pound and "the climate of opinion induced by the Prime Minister and her team, with their insistence that chronic overmanning has been a key factor in our low productivity and that now is the time to tackle it".

**Speculation grows on  
cut in MLR today**

By John Whitmore

With rising speculation this week that the Government may be about to make a further reduction in the Bank of England's minimum lending rate, the City will await 12.30 pm today with more than usual interest.

Short-term interest rates in the money markets continued to fall yesterday, with the three-month Treasury bill slipping to 13 1/2 per cent. There is now an increasing feeling that the main banks would not be unhappy to make a cut in their base lending rates.

Some quarters there is questioning—on how much longer the Government needs to maintain MLR at all. The Bank is already conducting its open market operations through

paper transactions with the discount houses rather than penal lending at MLR.

Moreover, it recently ceased to set weekly dealing rates for two and three-month Treasury Bills, and now deals at or close to the market rate on the day. Previously rates had generally borne a rather closer relationship with MLR.

City views on the likelihood of an official sanctioning of lower interest rates today are far from unanimous, however. Some operators still feel that the Government is keen to save up an interest rate cut for the Budget or shortly after it.

Sterling closed lower against continental currencies and the yen but ended the day 6 points up against the dollar at \$2.3575.

**New equity capital for Aerospace**

Continued from page 1

The group's articles of association will prohibit foreign ownership of more than 15 per cent of the capital at any time.

British Aerospace was formed in 1977 when the Labour Government nationalized all Britain's fixed-wing aircraft manufacturers. Its main components are the former Hawker Siddeley Aviation and British Aircraft Corporation, a company which had been jointly owned by Vickers and General Electric Company.

These two companies are still in dispute with the Government over the amount of compensation they should receive for the state takeover.

British Aerospace is the largest foreign world aerospace manufacturer outside the United States. It employs 79,000 people and its order book is worth about £3,500m.

Current programmes include the Tornado, Jaguar, Harrier, Hawk and Nimrod aircraft on the military side, while in civil aviation it has a 20 per cent involvement as manufacturer of the wings in the European Airbus.

Its dynamics group produces "Rapid" Swingfire, Sky Flash, Sea Wolf and other missile systems. It is a close collaborator in the European Space Agency, and a leading maker of space equipment and communications satellite systems.

The Conservatives indicated before they came to power that they would return the group to the private sector, and the plan to sell half its equity to the public was set out by Sir Keith Joseph, Secretary of State for Industry, in July 1979.

Sir Keith has now written to Sir Austin Pearce, Aerospace chairman, setting out the

Government's intended relationship with the company.

He says that the Government does not intend selling any more shares in the foreseeable future. In any event it intends retaining at least 25 per cent of the votes, though it does not intend to intervene in the commercial decision-making process of the company, Sir Keith says.

In support of the offer for sale, for which application lists will open on February 13, the group estimates trading profits of £92m for 1980. After launching costs and assuming the benefit of the new equity, re-stated 1980 profits before tax are put at £65m.

There is no profits forecast for 1981, though it estimates maintained, and intends paying 11.143p-a share gross dividend.

Financial Editor, page 19

**Pergamon deal would give control to Mr Maxwell  
£10m rescue proposal for BPC**

By Richard Allen

National Westminster, the bankers of BPC the stricken printing and publishing group, will today be asked to approve a rescue package, which if successful will bring BPC under the control of Mr Robert Maxwell.

The package, which is thought to have been accepted by the BPC board, would involve Pergamon Press, Mr Maxwell's private publishing group, injecting cash of possibly £10m to return BPC to a controlling interest in BPC.

However, the scheme, put together by Henry Ansbacher, the merchant bank and Pergamon's advisers, depends on agreement being reached with NatWest over outstanding loans totalling more than £25m, including overdrafts of £22m.

It is understood that NatWest will be asked to consider three options: to write-off a substantial amount of the debt, to offer some form of moratorium or, most controversially, to accept conversion of debts into equity.

The deal will also require the support from BPC's shareholders and holders of about £8m of loan stock who will be asked to convert into ordinary shares.

Some form of waiver will also be required from the Takeover Panel, which has strict rules on



Mr Robert Maxwell: one of the City's most controversial figures.

quoted group, said: "We regret having to conclude that, notwithstanding Mr Maxwell's acknowledged abilities and energy, he is not in our opinion a person who can be relied on to exercise proper stewardship of a publicly quoted company".

Mr Maxwell has always contested the inspectors' findings.

Mr Maxwell acquired a 25.5 per cent stake in BPC, whose main interests include Sun Printers at Watford and Purnell Waterlows, partly through a stock market "dawn raid" last July. He has now produced his package after two weeks of secret talks with the directors of BPC.

It is thought that the BPC board, headed by Mr Peter Robinson, had previously been seeking alternative plans to resolve the group's crisis, assisted by Hambro, the merchant banker. But things came to a head last week when Hambro was replaced by Hill Samuel as adviser to the group.

BPC has been affected by labour disputes and general recession in the publishing of the City's more controversial figures back into the public arena, although it is not yet clear whether Mr Maxwell intends to become chairman of BPC.

In 1973 a Department of Trade Inspectors' report of an investigation into Pergamon, which was then a publicly

**Competition  
favoured  
for British  
Telecom**

By Bill Johnston

The report on telecommunications commissioned by Sir Keith Joseph, Secretary of State for Industry last year, strongly favours allowing the private sector to offer certain services in competition with British Telecom.

The report by Professor Beesley of the London Business School has been submitted to the Government and will be discussed over the coming months as its policy on private sector intervention in telecommunications is formulated.

Professor Beesley studied "value-added services" which he defined as those services not at present offered by British Telecom. These include, for example, data communication, may bring the private sector into direct competition with the state corporation.

He looked in particular at the United States where many value-added services have been introduced.

During November he visited Microwave Communications, one of the leading operators of such services in the United States, where terminals to computer services, facsimile services and electronic mail systems are available.

In the United Kingdom the subject is politically sensitive. The Post Office Engineering Union, while not opposed to the provision of services not available through British Telecom, is opposed to giving independent companies carte blanche.

The union, which gave evidence to Professor Beesley, believes that a new tariff structure must be created if British Telecom is to compete.

Where private carriers are running services in competition with British Telecom on the national telecommunication network, the tariff must reflect the nature of the traffic.

It is expected that in the United Kingdom some of the most financially attractive value-added services will involve carrying speech instead of data, for example a line on lease to a company for a private telephone link between cities would be able to be used by the company in connection with the British Telecom exchange lines.

The union told Professor Beesley that it was premature to use examples from the United States as a model for this country.

**Tate delays  
closure  
of Liverpool  
refinery**

By Michael Prest

Tate & Lyle, the sugar refiners and traders, has agreed to keep open until at least April 3 the Liverpool refinery which two weeks ago it said it would close "as soon as possible".

At a meeting on Monday the company agreed with the six unions representing the 1,600 workers threatened with the loss of their jobs, to continue the change of policy comes after intense pressure from local and national interests.

The agreement is to allow further meetings between the union and the company, and to enable the unions to make more representations to the Government. The company has agreed to give all information about the choices considered at the study the size and type of redundancy settlements.

But the chances of sugar refining continuing much longer at Liverpool seem remote. When announcing pre-tax profits of £32.5m for last year, Tate said that total losses attributable to the Liverpool operation were £10m. At best, the ancillary activities such as sugar distribution may be kept open.

The difficulty arises from oversupply of sugar to the British market, complicated in Tate's case by a Community regime which favours sugar beet over cane. Tate's cane is traditionally processed and shipped by Tate.

But the workers in Liverpool, where unemployment is running at 15 per cent, still face redundancy on April 22.

**Levy will cut profits  
of British Gas**

By Nicholas Hirst

A Bill to introduce a levy which will reduce the profits of the state-owned British Gas Corporation between this year and 1983 was published by the Government yesterday. But it will have no effect on gas prices.

The financial target fixed by the Government for the corporation to meet between 1980 and 1983 has been modified to take account of the effects of the levy, which will cut British Gas's published profits before interest by half.

Domestic gas tariffs will continue to rise, as planned, at a rate of 10 per cent per year until 1983, when they will be reduced to 5 per cent. Industrial contracts will continue to be related to the cost of alternative fuels.

In effect the levy is purely a bookkeeping change. The decision of the present Govern-

ment to raise gas prices towards their long-term replacement cost by imposing a strict financial target of a return of nine per cent on assets would have meant a rapid increase in the amount of money flowing into British Gas.

This amounted to a windfall profit arising from the corporation's position as a buyer of cheap supplies on long-term contract from the North Sea.

British Gas had agreed to pay excess revenue over its requirements into the National Loans Fund on which it would receive interest payments.

So far £300m has been paid in this way. The gas levy means that this arrangement will no longer be necessary.

The Bill specifies levy rates for a period of three years, 1p per therm for 1980/81, 3p for 1981/2 and 5p for 1982/3.

**Travel chain  
to trade in  
Debenhams**

By Derek Harris,  
Commercial Editor

Exchange Travel, Britain's third largest travel agency chain, and the centre of a tourist industry dispute over the extension of travel sales facilities away from the high street, has won its appeal to have travel counters in Debenhams stores.

The appeals committee of the Association of British Travel Agents (Abta) yesterday overturned the rejection by Abta's retail agents committee.

It is a blow for the traditional travel agencies with separate high street premises who are worried at the extension of travel sales into retail establishments.

But it remains to be seen how far the appeal decision will smooth the path of a more controversial proposal by P & O to operate travel counters in television hire shops of the Radio Rentals chain.

Abta's membership committee has turned down the P & O proposal on the grounds that it infringes Abta's restriction on the use of mixed business premises, seen as a different issue to that involved with Exchange Travel. But talks are continuing with several Abta committees.

Mr Gordon McNally, chairman of Exchange Travel, had applied to Abta for registration of 13 of his Debenhams outlets, although the number of travel counters in these stores yesterday rose to 32.

Exchange will now continue with its £2.75m plan to open 70 new travel counters in Debenhams stores by next June.

Financial Editor, page 19

**Companies Bill omits  
'concert parties' curb**

By Philip Robinson

Changes in company law designed to tighten up on directors involved in fraud, companies which fail to file regular accounts and an increase in the powers of Department of Trade inspectors are covered in the 1981 Companies Bill, which had its first reading in the House of Lords yesterday.

But the Bill makes no mention of companies buying their own shares—expected to be introduced as an amendment during the Bill's parliamentary passage—nor any legislation on a "concert party" which had been specifically requested by the Council for the Securities Industry, the City's ultimate self-regulatory authority.

In fact, no "concert party" legislation seems likely for about two years, because of heavy pressure on parliament to deal with this.

Wider powers are to be given to DoT inspectors, and magistrates courts will now be able to disqualify directors from taking part in the management of a company for five years, and higher courts for 15 years, to penalize those who commit fraud or other offences in relation to a company, whether or not the company is being wound up.

The Bill proposes that DoT inspectors examine people other than officers or agents of the company under oath without having to apply to the court. However, anyone has the right of appeal to the court. The inspectors will also be able to require past and present directors to produce details of their bank accounts.

The DoT will also tighten up on returns and accounts to Companies House. Mr Eyre said that of the 800,000 companies registered last year, 1,028 failed to file returns and 1,709 failed to file accounts. Around 588 companies and 1,058 directors were convicted and fined a



total of £115,996 with £25,165 costs.

The Government has used the Bill—which is largely a three-tier company system to harmonize United Kingdom company law with the EEC's Fourth Directive on disclosures in company accounts—to strengthen the laws on those who fail to comply with previous company Acts.

It has been known for some time that the DoT feels that only a small proportion of directors who commit fraud are being prosecuted.

Despite strong opposition, the Bill also proposes to abolish the Registry of Business Names as part of a cost-cutting exercise. The registry, set up in 1916 when it was feared foreign agents were setting up business in this country under English names, was a list of the owners of small businesses.

The Government intends to replace this registry with a requirement on small businesses to display owners' names in their shops and on letter headings.

In Whitehall it was felt the original law was unenforceable and it is hoped its successor will be a form of self-regulation enforced by consumers and traders with local authorities' trading standards departments playing significant roles.

Goodwill clause, page 19  
Financial Editor, page 19

**PRICE CHANGES**

Rises		Falls	
Anglo Am Corp	26p to 27 1/2p	Art-Latham	10p to 22 1/2p
Grovetree	44p to 33p	De la Rue	7p to 5 1/2p
Leisle	16p to 11 1/2p	Guthrie Corp	13p to 6 1/2p
Peko Walsend	15p to 41 1/2p	Martinsair	2p to 21 1/2p
Ranger Oil	20p to 64 1/2p	Unitich	15p to 21 1/2p

Falls		Rises	
Brit & Comm	8p to 23 1/2p	Electrolux	50p to 77 1/2p
Elson & Robbins	5p to 20p	Kinross	39p to 53 1/2p
Heath C.E.	4p to 18 1/2p	Minicore	17p to 53 1/2p
Midland	5p to 31 1/2p	Marine Con	22p to 16 1/2p
Weeks Petrol	5p to 38 1/2p	Vicksteint	27p to 21 1/2p

THE POUND		Bank		Bank	
		buys		sells	
Australia \$	2.07	1.99	Norway Kr	13.20	12.55
Austria Sch	37.10	34.90	Portugal Esc	133.50	127.00
Belgium Fr	83.25	79.25	South Africa R	2.25	2.15
Canada \$	2.68	2.58	Spain Pta	201.75	192.75
Denmark Kr	15.98	15.18	Sweden Kr	11.33	10.58
Finland Mk	9.83	9.33	Switzerland Fr	4.68	4.45
France Fr	11.88	11.38	USA \$	2.40	2.33
Germany DM	5.18	4.94	Yugoslavia Dnr	86.50	83.00
Greece Dr	110.00	113.00	Notes for small denomination banknotes only as supplied yesterday by Barclay Bank International Ltd. Different rates apply to travellers' cheques and other foreign currency business.		
Hong Kong \$	12.70	12.10			
Ireland £	1.39	1.33			
Italy Lfr	2490.00	2380.00			
Japan Yen	502.00	477.00			
Netherlands Gld	3.61	3.35			

**Output by jail inmates threatening manufacturers, Home Office told**

**Woodworkers close doors on prison rivals**

Door makers have never enjoyed a captive market; they spend much of last year seeking to protect falling sales from cheap goods from outside Britain, principally Taiwan.

But now they find themselves having to contend with what is most definitely an "inside job", a sales challenge from a captive supplier, the inmates of Her Majesty's prisons.

The British Woodworking Federation has opened talks with the Home Office on the introducing of restrictions on woodworking products made behind locked doors.

It believes a strong case exists for a severe curtailment of wooden doors made by offenders, especially at a time when the woodworking industry is in a deep recession.

Several leading companies have declared redundancies and much of the workforce is working short-time.

The federation said that its representatives had been told that door-making activities had been severely cut during the dispute. The main manufacturing unit at Kirkham open prison, in Lancashire, closed for several weeks, and the federation believes it is unlikely to resume full production for some time.

In 1979, about 8.5 million doors were bought in the United Kingdom. The 1980 figure is expected to have been considerably down on this total, which is far below peak production of around 11.5 million achieved in the early 1970s.

Woodworking leaders estimate that output from the prison units amounts to only about 110,000, but points out that this is equal to the annual output of an average-size manufacturer.

Production in Britain's jails is organized through Prindus (Prison Industries), which in 1979 had a turnover of £26.4m.

A spokesman for the prison service said last night that Prindus products, like its doors, were frequently sold into government departments.

Where they were offered on the public market prices were set at commercial levels, agreed after consultation with both industry employers' federations and the Trades Union Council. Regular talks were also held

on the range of products that should be made.

The British Woodworkers Federation says that after its representations, Prindus is considering changing to alternative products which would have the minimum effect on the home manufacturing market. "The feasibility, for instance, of concentrating on products in direct competition with imported products is under consideration", an official added.

Meanwhile, a state-of-trade survey published by the industry yesterday complained that several companies emphasized the intolerable pressure of low margins in present "cut-throat competition".

John Huxley

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## Belgian oil subsidiary bought out by Canada

Petro-Canada, Canada's government-owned oil company, is taking over the Canadian subsidiary of Petrofina, the Belgian multinational, for \$64m (£52.7m).

The payment works out at \$1.20 a share, compared with \$1.40 a share at which Petrofina Canada had been selling on the Montreal Stock Exchange.

The announcement came after days of speculation that Petrofina had become the first target of the "Canadianization" policy introduced last October by the federal government.

This would mean the takeover of "one or more" multinationals as part of a programme to make the country's petroleum industry at least 50 per cent Canadian-owned by 1990. About three-quarters was owned then by foreign companies.

## Japanese car decline

The Japan Automobile Dealers' Association announced that new car registrations in January fell 8.6 per cent from a year before and a sharp 26.1 per cent from the previous month to 205,205 units. The association attributed the decline to the sluggish domestic economy.

## Less Polish coal

Coal production in Poland, a big exporter, dropped sharply last year. Mr Stanislaw Kania, Party Leader in Warsaw, said that if coal production continued at the January level, the country could become a coal importer.

## US Volkswagen sales

Sales of cars built by Volkswagen of America rose 9.0 per cent in late January to finish the month 8.5 per cent below their level in January last year, the company said.

## Tokyo oil exports

Japan's Ministry of International Trade and Industry said yesterday it is considering allowing domestic oil companies to resume exporting heavy oil for the first time in two years.

## German output down

West German industrial production fell 1.7 per cent seasonally adjusted in December, after a downward revised fall of 1.6 per cent in November, provisional figures show.

## Export orders down

Japanese industrial machinery export orders fell by 14.2 per cent last year, reflecting the Iran-Iraq war, adjustment by China of its modernization programme and the rise in the yen's value against the United States dollar.

## Danish jobs scheme

The Social-Democratic Government of Denmark has drawn up a £225m plan to create 85,000 new jobs over the next three years and ensure that no one is unemployed for more than one year.

## Belgian borrowing

The Belgian Government will be offering an interest rate of 13 per cent for the entire life of this month's eight-year road fund borrowing, financial sources said. It will therefore be reducing slightly from the record interest rate paid on the year's first bond issue.

## Japan-China talks

China is believed to be considering compensation to Japanese enterprises that have had their plant contracts cancelled because of a shift in China's economic priorities. Officials at the Japanese export insurance department of the Ministry of International Trade and Industry said a delegation from China will visit Japan later this month for a series of meetings.

## Fall in oil use

Italy's consumption of oil products in 1980 dropped 2.5 per cent to 89.92 million tonnes.

## Lee Cooper to manufacture jeans in eastern Europe

Lee Cooper has signed a £25m licensing agreement to manufacture and market jeans in Czechoslovakia. The company, which claims to be Europe's largest maker of jeans, said yesterday it hoped to sign a similar deal with the Soviet Union soon.

The deal was struck after more than 24 years of discussions, and is understood to be the largest textile agreement between a British company and a member of Comecon, the East European trading block.

It provides for a factory to be set up under Lee Cooper's guidance at Presov in eastern Slovakia. Apart from providing marketing and sales know-how, the British company will supply all machinery and raw materials including denim fabric, and all trimmings such as zips, rivets, buttons and thread. It will also

## Benefits and social services important in redistribution of wealth

# Bottom 20pc share 7pc of incomes

One fifth of households in Britain had only a 7 per cent share of the total income for all British households in 1979, after allowing for taxes and the receipts of benefits. This compares with a 38 per cent share for the top fifth of households. But, before taking account of taxes and benefits, the bottom fifth received only 15 per cent, while the top fifth of households got 45 per cent.

This is one of the main findings of a study in the latest edition of *Economic Trends*, published by the Central Statistical Office yesterday. It shows the importance of taxes, cash benefits and government expenditure on the main social services in redistributing income from high income to low income households. In general, there appears to have been little change in the distribution of income between 1978 and 1979. The study, entitled "Effects of Taxes, and Benefits on Household Income", is the work of Mr Alan McIntyre.

The distribution of final income not only takes account of taxes and cash benefits, but also benefits in kind, such as education, welfare foods (mainly school meals and milk) housing subsidies, and health care. About 45 per cent of the £85,000m spent by the Government in 1979 is allocated among households. Many items of public expenditure, such as defence spending and law enforcement, cannot of course be allocated.

As might be expected, cash benefits—state pensions, and unemployment and supplementary benefits—account for a considerable slice of the incomes of the bottom groups. Households in the bottom 30 per cent of total households include many people who are retired, or sick or unemployed. These households received an average of £1,600 in cash benefits

### PERCENTAGE SHARES OF TOTAL HOUSEHOLD INCOME 1979

Percentage in each quintile group of households, re-ranked at each stage	Original income (1)	Disposable income (2)	Final income (3)
Quintile group			
Bottom fifth	15	17	21
Next fifth	18	20	24
Middle fifth	20	22	26
Next fifth	22	24	28
Top fifth	25	27	31
Total	100	100	100

Decile groups			
Bottom tenth	15	17	21
Top tenth	25	27	31
Gini coefficient (4)	45.2	32.3	31.8

(1) Pre-tax income and unearned income.  
(2) After direct taxes and cash benefits.  
(3) After all taxes, and allowing for cash benefits and benefits in kind.  
(4) Measure of inequality: zero equals perfect equality and 100 equals complete inequality.

during 1979, out of an average final income of £2,326. Average pre-tax income for these groups was only £557.

By comparison, the pre-tax income of the top 10 per cent was £14,040. This came down to £9,860 after taxes and benefits are taken into account. Although direct taxes on income have the effect of making incomes rather more equal between the top and bottom groups, the effects of indirect taxes is less clear. These include domestic rates and council taxes—and, for the purpose of this study, water and sewerage charges, which are also based on rateable values in most cases—taxes such as VAT and excise duties on items such as drink and tobacco.

The proportion of disposable income paid as indirect tax is shown to decline slightly in the top income groups because households allocated more of their income to savings, rent, mortgage interest, and insurance premiums, which attract little indirect tax.

The top groups are shown to benefit more on average from some benefits in kind, notably education. Households with a smaller average number of children than those in the middle or at the top. But, generally, old people tend to use the health service much more than young people.

The concentration of retired people in households in the lowest part of the income distribution means that a high average level of health benefit is allocated to the bottom groups.

On average, households with high incomes had higher benefits in kind than households with the lowest income. But these benefits represented the highest proportions of final income for the bottom households.

None of these calculations take account of the fact that the top group of households, ranked by original income, contain more individuals on average than households in the bottom group. Neither does it make allowance for differences in household composition—number of children, whether single adult or a married couple. When households are converted into "equivalent adults" and weighed to allow for differences in composition, the bottom fifth of households are still shown to have received one per cent share of pre-tax income in 1979 but 10 per cent of final income, while the top fifth had a pre-tax share of 45 per cent and a share in final income of 31 per cent.

Melvyn Westlake

## British Shipbuilders urges tough European stance against Japan

By Peter Hill

British Shipbuilders is to urge European governments to take a much tougher stand against Japan in forthcoming talks at the Organization for Economic Cooperation and Development.

The group will claim that the Japanese yards have failed to honour the spirit of an agreement they entered into five years ago with European shipbuilders to curb their export sales. BS also believes that Japan's planned increase in output in the next financial year will seriously undermine progress towards stability in the shipping and shipbuilding markets.

Behind the state corporation's pleas amid continuing pressure from European yards and the threat to jobs is the need for Japan to be persuaded to extend the present restraint agreement and to abandon plans to lift output in the coming 12 months.

European shipbuilders managed to ensure that shipbuilding was among the sensitive areas discussed in Tokyo last week between senior officials of the EEC Commission and Japanese government representatives in talks on the growing trade imbalance between Japan and the Community. The next opportunity will come at the OECD working party discussions on shipbuilding in Paris.

Mr Robert Atkinson, chairman of BS, said that he had commissioned a detailed study of the Japanese challenge which would be submitted to the Government.

Over the past five years the British shipbuilding industry has led to the loss of nearly 100,000 jobs and a series of Commission directives have been reduced under restructuring programmes.

The bulk of the rationaliza-

tion took place during 1976-80 after the OECD agreement. Japanese output fell by 53 per cent in year to September compared to 1976, while European output fell 56 per cent over the same period.

On the basis of OECD statistics, Japan's share of total new orders in the first nine months rose to 63 per cent of the total compared with 49 per cent the year before.

BS has also expressed concern at Japanese plans to boost output in the coming financial year. Japan's Fair Trading Commission has extended the operations of an anti-depression cartel, formed by the 39 largest shipbuilders, for a further year which could lead to 30 per cent rise in output in the coming fiscal year over the current year.

It is against this background that BS is expected to press for a further period of restraint by the Japanese industry.

## Talks start on Perkins stake

By Edward Townsend

Perkins Engines, the British-based diesel subsidiary of Massey Ferguson, has begun discussions to attract outside investors after the proposed £285m equity refinancing of the Canadian parent company.

The rescue of Massey by its bank creditors, dependent upon Canadian government guarantees—has opened the way for Perkins to become a separate legal and financial entity. The discussions could lead to Perkins' shares once again being quoted on the British Stock Exchange.

The company, taken over by Massey Ferguson in 1956, is one of the largest diesel engine makers in the world. Last year it made a profit before meeting redundancy liabilities. Yesterday the millionth engine came off the Peterborough production line.

Perkins, part of Massey Ferguson Holdings in the United Kingdom, is one of the group's more attractive subsidiaries for external investors, particularly as the world market for diesel engines is expected to grow significantly towards the middle of the decade.

The company needs long term capital for engine development programmes and is considering joint ventures with other manufacturers.

Mr Jim Felker, newly-appointed American managing director, disclosed yesterday that Perkins was having "fairly serious" discussions with one or two companies in North America.

British investment in Perkins (a joint venture with BL cannot be ruled out) would be supported by the Government.

This would be consistent with the policy of encouraging investment in the private sector and as protection for a vital part of British engineering.

## Foreign motor parts groups 'invading' UK

By Clifford Webb

Midland Industrial Correspondent

Overseas companies are making increasing inroads into the British motor components industry. Nearly one-third of the top 60 companies are now foreign-owned.

While leading groups such as Lucas, GKN, Associated Engineering and Automotive Products have been investing heavily in Europe and the United States to offset falling vehicle production here, foreign companies have still found the British market attractive.

A survey by the Economist Intelligence Unit identifies 13 American-owned components companies which are leading the "invasion". It says that despite the well-publicized hardships of the British motor industry, the Americans see an English-speaking country as the ideal base from which to develop business in Europe.

But this does not explain the increasing involvement of French and German companies. The most likely answer, which the survey does not mention, is that they are attempting to defend their own home markets by

attacking British rivals in their backyard.

Rockwell International of Pittsburgh has shown the biggest growth with the acquisition in 1979 of Wilmore Breeden, a leading British manufacturer of door-locking and window-control systems, tipping gear, bumpers and cooling fans. Rockwell's turnover has reached £150m, pushing it from 36th to 11th place in the top-60 table.

Bendix Corporation of Southfield, Michigan, acquired the remaining half of Bendix Westinghouse from Hawker Siddeley and stepped up from 46th to 39th place. Dana Corporation of Toledo, Ohio, bought the remaining 65 per cent of Turner Manufacturing, a 69 per cent stake in Brown Brothers, and the whole of Intertruck.

The present recession has pinpointed overmanning as the one serious weakness of the United Kingdom components industry.

*The Changing Face of the United Kingdom Automotive Component Industry*, Economist Intelligence Unit Special Report No 91.

## De Lorean dispute over terms of state backing

Mr John De Lorean, the American car manufacturer, confirmed last night that a serious dispute over financial aid has arisen between his Belfast-based company and the Government.

He said that a difference of opinion about the financial aid agreement with the Government would have to be legally clarified before a planned offer of shares in his company could be made to the American public.

He did not want to go into the subject too deeply "because we are still in the very early stages of legal discussions". At the root of the dispute is the £14m additional aid which Mr Humphrey Atkins, Northern Ireland Secretary of State, made available last August to cover the effects of inflation since the project, originally worth £67m was launched in August 1978.

Mr De Lorean feels that the precedent established in many previous Northern Ireland projects, that extra amounts to cover inflation should be provided on the basis of the original funding, should be followed.

But the Government is understood to consider that the additional finance is a loan rather than a grant. Mr De Lorean is confident that the decision would favour him if the matter went to arbitration.

Mr De Lorean claimed he was entitled to a further loan of £8m from the Northern Ireland Development Agency under the terms of the original agreement, and unless this is received, he has said the com-

pany will withhold royalty payments of £185 on every car produced.

Rather than being paid to the agency, the royalty payments due on the early production cars are being placed in escrow until the matter is resolved.

Yesterday Mr De Lorean dismissed as "a scurrilous insinuation" suggestions that "some De Lorean executives had been less than frank with their own boards, the Government and the development agency itself."

The dispute may colour the Government's attitude to a request for a further £10m to bridge the gap between the company's needs and the £10m bridging loan.

This short-term finance is required to cover expenses and provide cash returns before the market for the De Lorean sports car in the United States in May.

Suggestions that there have been serious production difficulties were dismissed by Mr De Lorean. He said that they had been different to those encountered in the many other new car launches with which he had been involved during his career with General Motors.

Production this week is one car a day more than a recent schedule, which set a target of 210 cars in February and 630 in March. Mr De Lorean hopes for 700 cars to be distributed to his United States dealers before the market launch.

"To take a green field, build up a sensational workforce and create a plant in 28 months is an incredible achievement," he said.

## Building societies and savers

From Mr H. Stinson

Sir, For more than a decade now building societies have been agents for removing the assets from millions of thrifty savers and passing them across to big borrowers. Anyone who, ten years ago, lent to a building society the value of an average house, perhaps the savings of a life time, with the intention of securing some comfort in retirement, receives back today, even allowing for interest, the mere fraction of the value of a house. Those lost assets have not disappeared. They are in the pockets of building society borrowers who have paid back good, solid loans with confetti money.

How, then, as reported in *The Times* (February 2) dare Mr R. Weir accuse the Government of unfairness? The Government is right to give some small help

to the elderly to preserve the value of their savings in old age.

The answer for the building societies is quite clear. They should index their loans to borrowers on ever-rising property values. This would enable savers tomorrow to receive justice as a reward for their thrift, and not the injustice of today of being robbed of a large proportion of the real value of their savings by borrowers, aided and abetted by building societies.

Yours truly,  
HARRY STINSON,  
Wortley,  
Redcombe Lane,  
Brigg,  
North Humberside,  
February 2.

From Mr C. G. Newman  
Sir, Mr Weir, of the Building

Societies Association, complains (February 2) of "unfair" competition from the Government savings bonds. He should realize that, taking account of inflation, investors in building societies have had to be content for years with a negative return. The building societies have been an engine for transferring wealth from investors to borrowers. Perhaps the fresh competition may stimulate the building societies to devise a mortgage scheme which enables investors to participate in the growth in property values which is at present wholly retained by their borrowers.

Yours faithfully,  
C. G. NEWMAN,  
"Billput",  
Northchurch Common,  
Barnhamstead,  
Hertfordshire, HP4 1LR,  
February 2.

## Design and textiles

From Mr Charles Metcalfe

Sir, Mr Ira Brown (January 26) has at last given a totally unemotional view of the "cause of the decline in textiles". The one outstanding aid to recovery is design. Good design will give high profits but will also attract copying. British manufacturers prefer a product that never changes. Like Mr Brown I could write pages, not facts, and figures but short stories on the British hate of fashion. In my opinion most textile bosses are producing golf balls, clubs and tees, where their true interest lies. If the British textile industry would take advantage of the creative talent of the annual crop of designers produced by the college and polytechnic textile Bachelor of

Arts design courses, our competitors would not have time to copy before a new product was on the market.

Those British manufacturers that visited the November Inter-stuff dress textile fair at Frankfurt saw the obvious superiority of the British textile college compared with similar continental institutions.

My appeal to manufacturers is to expand design studios because I can assure you that our competitors are and they are employing British-trained designers. Perhaps government should subsidize firms employing degree trained designers.  
CHARLES METCALFE,  
Liverpool Polytechnic,  
Liverpool, L69 3EB.

## Role of the institutions

From Mr C. P. Morton

Sir, Ronald Pullen's article, "When should institutions intervene?" (January 28), comes a decade after you published my original suggestions.

Similar thoughts must have occurred to far more eminent men, the Governor of the Bank of England being the most recent, when giving the Stockton lecture a week ago.

In the hope—probably in vain—of preventing another decade from passing before a constructive move is made to arrest and reverse the country's industrial decline, may I restate the proposal:

1. Institutions should pool their voting power, to elect non-

executive directors (Neds) on to the boards of companies.

2. The Neds' role would be to monitor and improve the performance of organizations and hence their fees would be met by these.

3. To avoid any suggestion of "insider trading", the Neds' contact with institutions would be by way of a statement in the annual report.

This space is unsuitable for suggesting more detailed guidelines, but these could easily be developed by the institutions or their advisers.  
C. P. MORTON,  
C. P. Morton & Associates,  
142 Arkwrights, Barlow,  
Essex CM20 3LZ.

## Standard design for calendars

From Mr R. O. Leavor

Sir, May I make a plea for printers of monthly and annual calendars to adopt the same system? At present the days of the week run across the top of the calendar or down the left hand side, or vice versa, and may begin with Sunday or Monday. This leads to confusion

when changing annual calendars or when looking at differently laid out ones in a diary or on the office wall. Typewriter and calculator keyboards are standard, so should calendars be.

R. O. LEAVOR,  
76 Heaton Park Drive,  
Bradford,  
West Yorkshire, BD9 5QE.

# GALLAHER

## Report for the year to 31st December, 1980

Results (Unaudited)	1980	1979
	£ MILLION	£ MILLION
Group Sales	1,835.8	1,621.3
Group Trading Profit	82.7	66.0
Interest Charges	1.9	2.8
Group Profit (before taxation)	80.8	63.2

## GROUP

A record year with trading profits up 28% on 1979, though the fourth quarter was lower than the previous year, reflecting promotional costs and reduced margins.

## Tobacco

All divisions in the domestic market raised profits and sales volume and increased market share. Sovereign King Size successfully launched.

Overseas, overall profits increased by over 10%. UK exports were well ahead.

## Distribution

Results were good from the retailing side. Wholesaling now restricted to Northern Ireland where profits were satisfactory.

## Pumps and valves

Total profits just ahead of 1979. Excellent results from Italy, Australasia and South Africa. UK hit by weak demand and strength of sterling.

## Optical

Good progress made in the UK and Italy. Currently activity in the UK is below normal for the time of year.

Gallaher Limited, 65 Kingsway, London WC2B 6TG. Tel: 01-2421290. Telex: 25505.



BY THE FINANCIAL EDITOR

## Tight terms for BAe

The raw nerve in the flotation of British Aerospace was obviously going to be its civil aviation business, specifically the huge development programme going forward on the wings for the A310 (advanced European Airbus) collaborative project and its own BAe 146 feeder airliner programme.

The military side of the business, which in British Aerospace's benefit as an investment has been accounting for over three-quarters of trading profits before launching costs for the past five years is largely financed by development and progress payments by customers, the most substantial of whom is of course the British Government.

So in selling 50 per cent of the equity the Government and the issuing house, Kleinwort, Benson, had to rationalize selling

Bank of England has been playing an important cajoling role to prevent banks bringing in the receiver when normal banking prudence might have suggested otherwise.

Last night Sir Jeremy Morse, the chairman of Lloyds Bank, went to some lengths to explain the role the banks were playing in supporting their sound industrial customers through the depths of the recession, a point that the Committee of London Clearing Bankers made strongly in their lunch with the Prime Minister on Monday when trying to head off the possible windfall profits tax on the banks.

Just how far the banks have been going to assist their industrial customers is becoming increasingly clearer although it is a fair assumption that only the tip of the iceberg reaches public knowledge. Yesterday, for example, Barclays announced a change of heart over Norvic Securities, and will continue to support the company for the time being having said earlier this week that it saw a bleak future for the British shoe industry.

Meanwhile, there appears to be an almighty struggle going on to keep Duport's head above water with again the Bank of England playing a central role. And today it looks as though NatWest will be forced to make an unpleasant choice when presented with Mr Maxwell's proposals for BPC which may involve conversion of loans into some form of equity, along the lines of the Massey-Ferguson solution.

Whatever happens at today's crucial talks on the future of BPC it now seems clear that Mr Robert Maxwell is set to take control of the troubled printing group.

BPC's board has apparently been totally unable to find a saviour elsewhere. The crunch of course for shareholders has yet to come although it seems clear that Mr Maxwell's Pergamon group intends to drive a very hard bargain with regard to gaining control in exchange for a cash injection of possibly £10m.

What role the Bank of England has played in all this is not yet clear but the assumption must be that it has at least tacitly accepted Mr Maxwell's role.

The move will also only add to retrospective criticism of the way Mr Maxwell was able to grab a near 30 per cent stake in BPC through a stockmarket dawn raid last year. On this aspect, however, shareholders might well ponder where their group would be but for his intervention.

### Companies legislation

#### Ducking the issue

One of the most striking things about the 1981 Companies Bill, which has its first reading in the Lords yesterday, is the absence of legislation outlawing "concert parties". There is wide agreement that disclosure rules need tightening to prevent anonymous parties secretly amassing a large stake in an unsuspecting company, as De Beers did in Consolidated Gold Fields.

The Government's failure to introduce legislation in this Bill is unfortunate because the next opportunity may be a long way off. As for the Bill itself, the measures to speed up and strengthen Department of Trade investigations will certainly be welcomed. The recent report on Scots took nearly five years to publication—and the Bill includes extra measures for penalizing those using companies for fraudulent or criminal ends.

The Government is also tightening up on directors who persistently fail to make returns to Companies House. However, the decision to abolish the Registry of Business Names looks certain to provoke an outcry. Most of the submissions on this matter were strongly against abolition, and the "self-regulating" system to replace the central register looks a poor alternative.

Those parts of the Bill dealing with the Fourth EEC Directive are unlikely to prove controversial, although the Bill is significant in that for the first time matters covered only by accounting standards will be incorporated into statute law.

The three-tier system of small, medium and large companies will allow some easing of the present disclosure burden on small private companies but creditors can still rest satisfied that all will have to undergo a full audit.

### Economic notebook

## Will the funding strategy work?

A government which by the end of next month will have successfully borrowed something like £23,000m (for more than £400 per head of the population) in the course of two years should not on the face of it have too much to worry about in terms of its approach to funding.

But simply borrowing such massive amounts of money is not, of course, the crux of the funding issue. At the end of the day the Government can always cover the difference between its revenue and expenditure by resorting to the printing presses.

It could if it wished (and subject to raising the limits on the fiduciary issue) run off enough bank notes to cover its excess expenditure. In practice, it tends to write out cheques which people then deposit in their banks, in turn giving the banks the cash to lend to the Government to support those cheques.

At this point about these methods of financing the Government's borrowing requirement is simply that they directly boost the money supply. In other words, they are highly inflationary.

A principal aim of funding, therefore, has to be to ensure that the increase in bank deposits caused by excess public spending is to an appropriate extent offset by persuading people to take money out of the banks and buy public sector debt instead.

For most of the past few years the most obvious source of money for the Government to tap has been public savings. Long term savings institutions—the life assurance and pension funds.

These funds have wanted long-term assets to match their long-term liabilities, and the Government has duly provided them with an unending stream of high coupon 15-25 year stocks, almost regardless of the long-term cost to the taxpayer.

Should the inflation rate and the rate of return fall back to more normal levels.

Needless to say, the effects have been pernicious. While the Government has been able to finance the bulk of the public sector borrowing requirement in a non-inflationary way, it has effectively so dominated the long-term savings market (at very high nominal rates of interest) that it has prevented other sectors, notably the corporate sector, financing their borrowing needs in a non-inflationary way. They have had little choice but to revert to bank credit, swelling both bank balance sheets and, by extension, the money supply too.

### Diversify

At various stages the Government has made some attempt to diversify its funding. It boosted National Savings with rapidly growing legal tender savings bonds. It successfully drew on certain pockets of excess liquidity in the corporate sector—mainly the oil sector—by means of the Certificate of Tax Deposit.

It was only late last summer that it made clear that it was going to make a more pronounced effort to change the pattern of funding. It said it would be paying much greater emphasis on drawing off the rapidly growing legal tender savings market into National Savings.

The aim was to create a virtuous circle. By taking part of the burden of public sector funding off the long-term savings market it hoped that long-term interest rates would fall to levels at which companies would be encouraged to refinance part of their bank borrowing in the long-term debt markets. This would reduce the corporate sector's demand for bank loans, so reducing to the banks need to bid in the deposits that constitute the major element of the money supply.

Where would the money go? It was an awkward one, even for a seasoned politician, when Mrs Sally Oppenheim, Minister for Consumer Affairs, was asked what the long-term row in the cutlery industry over the imports of stainless steel blanks from the Far East. These are finished off in Britain and then re-exported, quite legally, "Made in Sheffield".

One importing company, very much at the centre of the row with those still manufacturing wholly in Britain, was Viner's of Sheffield. Mrs Oppenheim is a member of the Viner family. Everybody waited to see how she might resolve what could be a clash of interests.

Mrs Oppenheim, whose responsibility at the Department of Trade have recently been expanded—covering service areas from tourism to films—has in the event acted without fear or favour. A special "country of origin" marking order, covering silver-plated stainless steel cutlery, came out yesterday, which lays down that in future the national origin of stainless steel blanks will have to be shown.

If they are silver-plated in Sheffield that can also be indicated to the consumer. The controversy caused so much heat because the import penetration by stainless cutlery in Britain is well over 90 per cent. Although Mrs Oppenheim's decision will cool things a little the Government is still considering a working party report on the industry which recommended import controls on some low-cost cutlery and various forms of assistance for the British industry.

Ross Davies

## The goodwill clause which may be bad for business

Colin Perry

The Companies Bill 1981, published yesterday, includes provisions implementing the European Commission's Fourth Directive on company law and requires goodwill to be written off in the annual accounts of companies. It excludes goodwill arising on consolidation, since a draft Seventh Directive on group accounts is now under active negotiation in Brussels.

But at present all goodwill arises in the consolidated balance sheet and can only be written off (other than fictionally) in the accounts of the holding company. The Bill therefore intends no less than the writing off of untold thousands of millions of pounds—the Department of Trade has confirmed to the Consultative Committee of accountancy bodies that the legislation would enable goodwill to be written off immediately on acquisition.

And its effect upon companies in the United Kingdom and Ireland, let alone on the economy, clearly cannot have been understood by the draughtsmen.

This knowledge in itself is likely to affect acquisitions by means of an exchange of shares dramatically and both the accountancy profession and government now face a serious and embarrassing situation. Yet it could be avoided by a simple addition to Section 56 of the Companies Act 1948.

Goodwill is the excess of the cost of shares in subsidiaries over the fair value of the net underlying assets ascribed to them: it is an indivisible part of that cost and is at present neither revealed nor written off in the accounts of a legal entity. The Bill requires goodwill to be disclosed in the company's balance sheet and that it be written off systematically over a period not exceeding its useful life, as if it were disclosed, chosen by the directors.

At least for the company acquiring shares in a subsidiary for cash it will become necessary for the directors to separate goodwill from the cost of the acquisition. It has nothing to do with the reputation of the company to be acquired nor has it any relationship with any market value of the offeree's shares.

In most such acquisitions the consideration is a number of shares in the offeree company, and the offeror nor the offeree companies have realized any shares nor can they be deemed to have done so. What happens is that

There is a fundamental difference where acquisitions are made through an exchange of shares. The position is governed by Section 56 of the Companies Act 1948, which requires the aggregate value of the premiums attaching to the nominal worth of the shares issued, to be transferred to a share premium account and this account is treated as if it were paid up share capital of the company.

However, there is no statutory direction as to how a share premium is to be valued. In many cases quoted companies have valued the premiums as being the difference between the fair value of the net underlying assets represented by the shares acquired and the nominal value of the shares offered in the exchange; and where this is so no goodwill arises.

But most offeror companies use the market value of their shares, particularly since the introduction of the new accountants advocated in an ill-fated exposure draft ten years ago a so-called "acquisition accounting" which referred to the market value of the shares issued. The result was that goodwill became the excess of an aggregate market value of shares issued over the sum of their nominal worth and the fair value of the net assets of the company acquired. The component of a share premium account. It is remarkable that no accounting standards have been issued on acquisitions, mergers or goodwill.

It is necessary to make some comments about goodwill arising as a consequence of attaching market values to shares issued in exchange. The directors have no control over the market price of their company's shares, which is speculative and normally attaches to small parcels of shares before the shares to be issued have been admitted to quotation. It has nothing to do with the reputation of the company to be acquired nor has it any relationship with any market value of the offeree's shares.

In most such acquisitions the consideration is a number of shares in the offeree company, and the offeror nor the offeree companies have realized any shares nor can they be deemed to have done so. What happens is that

a market price of the offeree's shares is written permanently into the holding company's accounts and its shareholders are able to become shareholders in the offeror company.

It was in the light of these facts that the Accounting Standards Committee of the Consultative Committee of Accountancy Bodies issued *Accounting for Goodwill: a discussion paper* in June, 1980, and requested the Department of Trade to avoid committing the United Kingdom to any firm position on the draft Seventh Directive until responses were received and evaluated. The discussion paper was deficient, and a new exposure draft is to be expected later this year. But it will be of no consequence because the Accounting Standards Committee has said: "In its present form the proposed Seventh Directive envisages that consolidated goodwill should be written off in the same way as purchased goodwill in unconsolidated accounts" (author's italics).

Quite unforgivably, accountants have failed, in thirty-two years, to secure uniformity in the accounting treatment of share exchanges and to understand—can there be any other reason?—the middle they have brought about in artificially creating goodwill arising on consolidation in share exchanges. If the eventual Seventh Directive is to permit an immediate write-off of goodwill arising on share exchanges, it is to have an effect, other than a fictional one, the write-off can be made only in the holding company's own accounts and that would be tantamount to a reduction of capital. Government should not issue an *understand what is involved*.

But there is no need for any company to create a so-called goodwill and, as immediately, imperil its well-being. Section 56 of the 1948 Act can be amended to provide:

"The offeree's shares be issued at a premium, the difference between their nominal value and the fair value of the net underlying assets of the shares to be acquired as ascribed to them, and not being below their values in the last audited accounts of the offeree, by the offeror when it has become the holding company."

The author is a member of the Consultative Committee of Accountancy Bodies Sub Committee on Company Law.

## Closing the gap—179 years on

After waiting for 179 years for a Channel tunnel (or bridge) nobody is going to quibble if the latest deadlines set for such a scheme are overrun by a few weeks.

Napoleon was the first to suggest closing the gap and many a visionary has followed in his footsteps.

The latest plans are now piled up at the Department of Transport. Over the next few weeks the department expects to receive three further detailed proposals for Channel tunnel or bridge schemes.

Although an unofficial deadline for submissions was passed five days ago, only five out of the eight groups which have recently indicated their interest in Channel projects have so far presented their plans.

By the time schemes are received, Mr Norman Fowler, Secretary of State for Transport, also hopes to have the benefit of a report on the subject by a Commons Select Committee, which took evidence during last autumn and summer.

After so many years of abortive attempts to make a link across the Channel a few weeks' further delay is unlikely to cause much concern. Indeed, the Government is optimistic that one of the schemes will be approved by the end of the year.

The most recent of the schemes submitted is also the cheapest so far, costing only £635m at 1980 prices, little more than a year's funding for BL, as one hopeful contractor put it this week.

European Channel Tunnel Group, which comprises Britain's British Building and civil engineering company, and three other leading Community contractors, envisages a bored, single-rail track tunnel, 10.5km long, with a financial and Anglo-Dutch group, comprising Wimpey and Royal Völkner Stevin.

The project in collaboration with British Rail and SNCF, the French railway system.

The group has also assured the Government that private finance can be raised without guarantees from the public sector, thus meeting ministers' requirement that any Channel project should be commercially viable and not call on public finance.

Of the four other schemes submitted so far, two are for tunnels and two for bridges. Tarmac, the Wolverhampton-based roadstone and civil engineering group, heads a consortium with plans for a two-track rail link, costing an estimated £1,730m. It is based on the Channel tunnel scheme abandoned five years ago.

British Rail and SNCF are working on plans for a 31-mile single rail tunnel, although the Department of Transport said this week that the partners may modify their proposals. At present, the cost of the scheme is put at £800m, with about a further £100m for terminals, at 1979 prices.

Road bridges are envisaged by two groups, who estimate the likely cost to be between £2,000m and £3,000m, with more ambitious provisions for rail and traffic adding an additional £800m. These are proposed by Euro-Bridge, a consortium including Pell Frischmann and Partners, and LinktoEurope, which is basing its proposals on designs by Freeman Fox and British Steel's Redpath Dorman Long.

The remaining potential challenges to build the link are expected to be British Steel, a consortium involving Taylor Woodrow, Edmund Nuttall and Balfour Beatty, which says that it has expressed an interest in a bored, single-rail link, and an Anglo-Dutch group, comprising Wimpey and Royal Völkner Stevin.

John Huxley

## Business Diary: Paper tigers? • 'Parker must stay'

British Rail chairman Sir Peter Parker, whose contract expires in September this year, has received a heartfelt plea from the industry's white collar union, the Transport Salaried Staffs Association, to stay on in his job.

Tom Jenkins, general secretary of TSSA, makes the appeal in the latest issue of the organization's journal. He says that he believes that Sir Peter has the interests of the industry at heart.

"We have always found him very fair in our dealings with the board and, at this particular time, continuity at the top is most essential in meeting the difficulties facing the railways."

Against the background of recession-induced problems of BR, the Government-inspired plans for privatization of some of its activities, and the threat to jobs as a result of both, the TSSA appeal for Sir Peter to stay is unusual, Jenkins admits. But he and his 69,000 members



Sir Peter Parker.

(fewer than half those in the National Union of Railwaymen, but more than double the membership of Say Buckton's Associated Society of Locomotive Engineers and Firemen), believe that Sir Peter has been good for BR.

The BR chairman's extrovert

manner, his penchant for the catchphrase and the emphasis on improving the image of the railways (and the quality of BR's service) have dearly endeared him to the TSSA general secretary, although even he admits that the unions are not prepared to go all the way with some of Sir Peter's thinking.

Whether Sir Peter will stay on beyond September 11 this year remains to be seen. He has been in the job since September, 1976, when he took over from Sir Richard Marsh. The post commands a salary of £48,000, far less than a man of Sir Peter's calibre could expect to receive in the private sector.

He has already let it be known that for family reasons he would prefer to go this autumn. Bearing in mind the trouble which the Government has had finding men to take over state industries in the past couple of years the search for a successor may not be easy.

For Capital Formation, the non-profit research group, can look forward to a period of considerable influence. He will not be in the government but so many of his friends will be that his views will be heard. He is particularly pleased that two directors of his Council for Capital Formation have won top posts.

One of these is Murray Weidenbaum the new chairman of the Council of Economic Advisers and the other is Norman Ture, the undersecretary of the Treasury for tax policy. Walker describes Ture as "the real godfather of supply side economics".

Martin Anderson is an ultra-conservative economist from the Hoover Institution in California, whose influence will be substantial as domestic affairs adviser to the President.

Anderson's wife, Annelle, has just been appointed associate director of economics and government affairs in the Office of Management and Budget. She too was a fellow at the Hoover think-tank.

Meanwhile, Charles Walker, former deputy secretary of the Treasury, respected corporate lobbyist, writer of Republican party tax programmes and founder of the American Coun-

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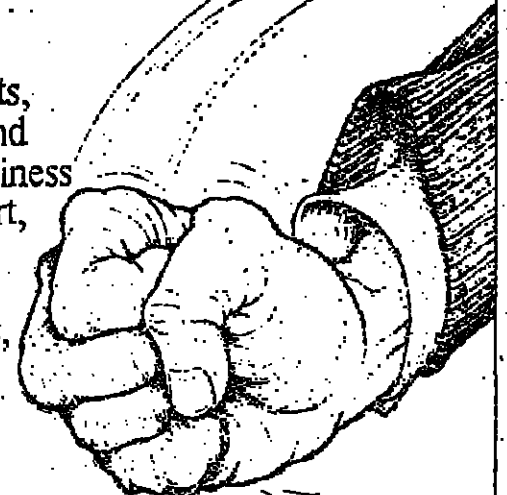
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## FINANCIAL NEWS

## Stock markets

## Equities remain in demand on MLR hopes

With all hopes pinned on a cut in the Minimum Lending Rate today, investors kept up their demand for equities yesterday, pushing prices higher in a thin market.

Dealers reported continued selective institutional support, which went some way to offsetting the worries surrounding the activities of ICL, Britain's largest computer group, which encountered renewed weakness after the announcement of losses estimated at £20m in the first quarter.

Even the completion of the underwriting for the £150m offer-for-sale by the Government of British Aerospace took a back seat with investors' attention firmly focused on the prospect of cheaper money in the near future.

Nevertheless, jobbers were still having a tough time of things in the thin conditions, with little selling pressure evident. The most commonly held view among market pundits was that the firm conditions are likely to result in little, if any, stock coming on offer for the time being, with the present technical rally still having some way to run.

In the event, the FT index, having climbed 2.9 p.m., closed 2.3 higher at 478.9.

Oil shares also shared in the expectation of a cut in MLR and, after a quiet start, buyers again emerged and pushed prices still higher. In the end, demand for a new £100m "B" receded ahead of going fully paid today although the price rose 5 p.m. to £20.7.

Elsewhere in London, earlier gains of £1 were extended to £3 by the close while in shorts rises of a similar amount encountered profit-taking, to leave rises of about £1 on the day.

The thin conditions continued to benefit leading industrial shares, where several blue chips showed

exaggerated gains compared with the actual level of turnover. Hawker Siddeley led the way up with a 4 p.m. rise to 262p, after 260p, followed by ICI, 2p to 296p, Unilever, 5p to 460p, Lucas Industries, 3p to 173p (still reflecting the Nissan plans to open a plant in the UK), and Rank Organisation, 2p to 164p on the back of its deal with Philcom.

In these times of recession the emergency company seminar is playing an increasingly active role in soothing the nerves of various City institutions. Yesterday, it was the turn of BOC International, which alleviated earlier fears of a pending rights issue. The shares immediately rallied 6p to 115p.

News that Tate & Lyle is to postpone the closure of its Liverpool refinery took 6p from the shares at 152p, but elsewhere in food, J. Bibby attracted demand on renewed hopes of a bid which sent the shares soaring 17p to 255p, before dropping back to 250p at the close. Robertson Foods eased back a little, to rest at 52p with the Avana bid still in the air and G. Bassett gained 2p to 37p on speculation.

An extraordinary firm day

was reported in the engineering sector with the best second-liners leading the way with some buying. On the back of record sales Veeva climbed 8p to 101p, investment buying in Powell Duffryn added 6p to 247p and John Brown, on the strength of its £35m order from Iraq, was up 5p to 72p, despite dismal forecasts earlier in the week.

Electricals, however, stayed a thin market with little stock around. Unilever fell 15p to 216p, on the chairman's profit warning. Electrocomponents dropped 20p to 238p and Farnell shed 10p to 345p.

There were few surprises from companies reporting with Bean Bros. unchanged at 48p and City of London Brewery, showing same-gain profits, held steady at 74p. I. Barger jumped 15p to 150p on fresh bids to 75p on speculative interest. Dry cleaners, after favourable mentions, lifted, with Johnson Group up 3p to 168p and Initial Services up 3p to 191p.

Breweries advanced across the board with receding fears of heavy budget prices and hopes of lenient treatment. Bass, gaining 6p to 209p, and Whitbread, up 7p to 152p, led the market to some large rises. Jobbers reported a flurry of activity and big turnover in the

market—with some shares catching up on lost ground. The prospect of cheaper money with a cut in MLR saw building shares moving ahead. Barratt Developments added 6p to close at 173p, Newarthill up 10p at 328p and Blue Circle rose 8p to 362p. Business was quiet in BTR, closing 2p ahead at 388p. Tarmac closed 9p up at 283p.

Properties and insurance also moved forward for the same reasons. Insurances continued their upward swing with Gen. Acc. gaining another 2p to 306p and GRE up 2p to 318p. Cheap money drove properties like Haslemere up 4p to 382p and Land Securities up 3p to 388p.

Banks are still losing ground with the fears of a windfall tax, with Nat West dropping 2p to 365p and Midland down 5p to 316p. Lloyds and Barclays were unchanged at 325p and 386p respectively.

A quiet, but firm day was reported in the oil market despite the news of an advance in North Sea well. BP edged ahead 4p to 416p, Lascos advanced 5p to 674p and Shell firmed 4p to 432p.

Figures due soon from Horizon Holiday saw the shares rising 9p to 152p, and Davies and Newman, also in the sector, jumped 14p to 123p on revived bid rumours. But fading bid

hopes for Austin Reed saw a 9p drop to 74p.

Although the gold price recovered to \$505.5, there was little exceptional activity with stocks holding steady and firm. The market is looking to see if prices stay steady at this level for a few days before moving in.

Some bargain-hunters still have faith in ICI, despite its £20m first-quarter loss. As the shares fell further yesterday, touching 28p at one point, one buyer picked up one million shares at 30p. They closed 9p down at 32p.

On the back of figures from UC Investments with higher dividend payments shares were boosted 6p to 445p and rises of 5p to 56p were seen in the heavy weight market. RTZ rose 3p to 385p, Cons Gold gained 5p to 452p and Anglo Am Gold added 2p to 38p. Lomax, releasing results today, firmed 2p to 106p with expectations of a maintained or better dividend. Some buying in a small stock, Phoenix Mines, a commercial property company, sent shares up 4p to 52p.

Equity turnover on February 3 was £122.349m (15,749 bargains). Active stocks yesterday according to the Exchange Telegraph, were: GEC, ICI, BAT, Plessey, Unilever, Beecham, Shell, Allied Breweries, Grattan Warehouses, Whitbread, Barclays, Baxi Consolidated Gold Fields, GKN and Electrocomponents.

Traditional options: Dealers reported increased inquiry with three-month calls made in Simmer & Jack at 180p and Sterling Credit at 11p. Doubles were completed in Woodside, Buxton, KCA Int, Louth and Lincolnt Kilgour.

## Latest results

Company	Sales	Profits	Earnings	Div	Pay	Year's
Int or Fin	£m	£m	per share	pence	date	total
Int or Fin	6.4(5.8)	0.36(0.49)	2.0(2.9)	1.1(1.1)	7/4	—(4.9)
Bean Bros. (1)	—	1.3(1.4)	—	—	—	—
City of London Brew (1)	—	2.9(2.7)	4.3(3.7)	2.3(2.1)	16/4	4.0(4.2)
English & N Y (1)	—	0.17(0.13)	1.22(0.46)	—	—	—(1.0)
Lon & Grimsby (1)	—	—	9.77(9.32)	6.5(5.6)	—	9.5(9.1)
Sterling Trust (F)	2.74(2.57)	—	2.37(2.13)	—	—	—(0.5)
Yorks Fine Wool (F)	3.36(3.81)	0.29(0.056)	—	—	—	—

Dividends in this table are shown net of tax on pence per share. Elsewhere in Business News dividends are shown on a gross basis. To establish gross multiply the net dividend by 1.428. Profits are shown pretax and earnings are net. \*Gross revenue; †Loss.

## Briefly

Burmah Oil's Agreement in principle reached for acquisition by Burmah of Bray Oil and Bray Processing. Talks are advanced and a further announcement will be made.

Palmerston Investment Trust: Chairman reports in his interim statement that results to date in the second half of 1980, aging and he expects that the year will end with a surplus in excess of 1979-80.

James Beattie: Following notification from the Inspector of Taxes of refusal to give clearance to Beattie's application under paragraph 18(2) Schedule 16 of the Finance Act, 1972, it is proposed to pay a supplementary final dividend on ordinary and "A" ordinary of 0.9085p out of profits for year ended January 31, 1980.

Kellogg Trust: In his annual report chairman states that although the board expects that the results for 1981 will show a material improvement over 1980, shareholders should note that it is improbable that the growth rate of about 100 per cent p.a. which has been achieved over the last few years, will be maintained in 1981.

Sheraton Securities International: Rights issue accepted in respect of 12.4m (95.4 per cent) shares. E. J. Riley: Pursuant to the terms of the agreement for acquisition of Andor Arts the final instalment of the consideration, £38,000, has now been paid in shares which have been placed through the market with clients of Orme and Co in order to realise a net sum of £31,000 for the vendors.

Sterling Trust: Total income for 1980, £2.74m (£2.57m). Total dividend, 13.57p (13p), including special of 1.42p.

London & Garmore Investment Trust: Gross revenue for half-year to December 31, 1980, £176,000 (1979, £136,000). Available for shareholders (after expenses and estimated tax) £52,000 (£20,000). Net asset value per ordinary share at December 31, 133.68p (120.5p at June 30, 1980).

Ferguson Industrial Holdings: Elections management received offers for Gosforth Industrial Holdings by Ferguson received: elections for shares, 2.66m; elections for cash, 3.65m; acceptance of basic offer, 1.56m. Total number of acceptances, 13,838. Share elections will be satisfied in full and cash returns to 39.56 per cent of such elections.

TSE Trust Company received the following life new business in 1980 Annual Premium Income, £24.49m (£21.35m); Single premium income, £14.26m (£7.08m); Sums insured, £390.57m (£316.27m).

## Benn reorganization going well

By Brian Appleyard  
The cubacks in Benn Brothers general publishing area are running on schedule and will be completed within its current year.

The cuts involve scaling down the academic and education publishing as well as the general list. Meanwhile the £2m investment by the company in expanding the Tonbridge magazine base is taking up a large portion of the employees made redundant by the retrenchment in books. So the redundancy bill this year will not be large.

Last year Benn ran into a

disagreement with the Inland Revenue about the tax treatment of £226,000 paid in redundancies. This left a potential liability of £117,000 which has still not been settled, though the signs are that Benn will not have to pay.

The interim figures for the six months to December 31 show pretax profits down from £488,000 to £360,000, on turnover, up from £5.8m to £6.5m. After an extraordinary item of £65,000, consisting of profit from the sale of Fire Protection and Fire Protection Directorate, attributable profits are

marginally ahead at £238,000 against £234,000.

Overall, due to the Tonbridge bridge, there will be a cash outflow this year, though a tranche of stock appreciation relief will be taken in. As a result, Benn should emerge still nil-gear at the end of the year.

The interim dividend is maintained at 1.5p gross. The total for last year was 4.86p. The shares at 48p, unchanged yesterday, yield 10.12 with a historical ratio on stated earnings of 5.5.

## IBM forecasts further squeeze

International Business Machines expects profit margins to continue under pressure because of investment required for continued growth, the high cost of borrowing and inflation.

In an advance copy of its annual report, IBM also says its "relatively low debt ratios and a strong balance sheet position enable management to consider a full range of financing options, both in the United

States and abroad, for future capital needs."

IBM said the choices among financing options ultimately would depend on prevailing money market and economic conditions.

## Deutsche Shell dips 6.9 pc

Deutsche Shell AG, the West German subsidiary of the Royal Dutch/Shell group, reports a net profit of DM245.8m (£50.1m) for 1980, down 6.9 per cent from 1979, in its preliminary financial review. Total sales of oil products dropped steeply in 1980 to 16.6 million metric tons from 19.9 million metric tons in 1979, according to the report.

In the group's oil activities alone, marginal gains in the

first three quarters of 1980 were able to partially absorb the high fourth-quarter loss of DM183.1m in the sale of oil products, to hold the overall loss to DM117m for the whole year.

Looking forward, the group said that information available at this time suggested that rising oil costs and a strong dollar will combine to show worsening operational results for the first month of 1981.

## Loss expected at Citroen

Automobiles Citroen, the French car maker, said it could make a loss of up to 800m francs (£68.6m) for 1980, after a net profit of 202.1m francs in 1979.

Citroen, a subsidiary of Peugeot, said it expects to break even in 1981 with a reduced workforce and sales

volume close to the 610,000 vehicles sold in 1980, including 286,000 exports.

First half sales could be 30 per cent above those of the first half of 1980 and 10 to 20 per cent lower overseas, it said. Second half sales are expected to recover, however. —Reuters.

## American Can

Mr William S. Woodside chairman at American Can says that the company's primary causes of a decline in earnings from \$24.4m to \$19.1m (£8.26m) for the final quarter. The whole of 1980 saw profits drop from \$127.5m to \$85.7m. "We are confident that as the economy strengthens and demand returns to more normal levels earnings will improve", he said.

## Reliance Group ahead

Reliance Group reports that operating income from continuing operations in 1980 increased to \$78.6m (£34m) from \$65.2m. Sales were \$1,430m in 1980, compared with \$1,270m.

Mr Saul P. Steinberg, chairman and chief executive officer, said that Reliance's property and casualty operations had a reasonably good year, posting a combined ratio that was in line with the industry.

## Stake in Hartwells revealed

By Catherine Gunn  
A mystery company based in Panama yesterday revealed a 6.9 per cent stake in Hartwells Group, the Oxfordshire vehicle and fuel distributor. Hartwells's directors are trying to discover who stands behind the Panamanian company, Corbillion Holdings.

Hartwells received a letter yesterday warning from a London stockbroker firm informing it of the stake. Mr Peter Huggins, the chief executive, said yesterday that the group knew nothing about Corbillion but was not unduly worried by the stake. "It must mean we are a good company", he said.

Directors control 16.5 per cent of Hartwells's equity and the group's pension fund also has a "substantial stake". A further 5.8 per cent is held by Byrom House Nominees, which Mr Huggins said "as far as we are aware" has no connection with Corbillion.

Hartwells's broker, de Zoete & Bevan, said there had been no signs that a stake was being built up. It is making inquiries to establish the identity of the party or parties concerned. The shares were unchanged at 73p yesterday.

Meanwhile Hartwells, whose year ends on February 28, said yesterday that it was holding up reasonably well in the recession, and the group was trading profitably, although the second interim dividend of 12p, after a first interim of 55p, was

difficult.

## Peak £80.8m profit from Gallaher

Best-ever sales and profits were reported yesterday by Gallaher, which is controlled by American Brands of the United States.

On group sales 13 per cent greater at £1,835.8m, pretax profits for 1980 rose by 28 per cent to £80.8m. Mr S. G. Cameron, the chairman, said that 1980 was a record year for most group divisions. Non-tobacco operations contributed £20.7m to group trading profits (before interest), which totalled £80.8m.

A strong cash-flow has further strengthened the balance sheet. Apart from tobacco, Gallaher's other divisions are pumps and valves, optical and distribution.

Richards may not break even this year  
The annual meeting at Richards heard Mr A. R. Robertson, chairman, say that there is no longer any short-term working in any department. However, the current year will not be any easier than the last one.

There is no sign of any improvement in the economic outlook, he said for restiles.

The company did not manage to break even during the first quarter of the current year, and it may prove difficult to break even for the year as a whole he said.

The capital expansion programme is going ahead as planned, but the timing of various sections of it is being affected by the state of the economy.

Security Centres' shares placed

Jameson Management Services, a company controlled by Mr T. S. Jameson, the chairman of Security Centres Holdings, has sold 500,000 ordinary

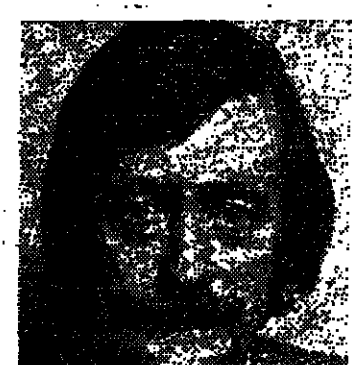
## MPs persuade Barclays to reprove Norvic

By Rosemary Unsworth  
Norvic Securities is to stay in business following Barclays Bank's decision to lend the Norwich shoe manufacturing group a further £750,000 rather than appoint receivers.

The change of heart over Norvic's future came after two local Labour MPs, Mr David Ennis, Norwich North, and Mr John Garrett, Norwich South, spent an hour with bank officials yesterday, persuading them that the group's estimates for spring and summer sales were sound.

On Monday, Mr Charles Metcalfe, Norvic's chairman, announced that receivers would have to be appointed if the £750,000 was not raised by the end of the week. After commissioning a report from Coopers & Lybrand, the accountants, Barclays decided that it could not increase Norvic's borrowing beyond £2.9m. This was in spite of cash flow projections provided by Norvic that the money could have been repaid within the current year.

The financial support will be linked with terms, yet to be agreed, which may include a voluntary pay freeze until March 1982 by the employees.



Mr John Garrett: meeting with Barclays.

Such a freeze would save £180,000.

Norvic's call for additional funds came after an extensive reorganization designed to deal with the problem of declining exports and the recession. Two factories were closed and 30 employees made redundant at a cost of £1.5m.

Mr Metcalfe also said on Monday that pretax losses this year would amount to £225,000 after an interim loss of £900,000. He pointed out that the reorganization had taken more than £3m out of operating expenses, reducing the break-even point substantially. However, the extra finance was needed to make stocks for pre-Easter sales, he said.

Norvic now employs 1,100 staff of whom 400 are based in Mansfield, Nottinghamshire. The group's shares were suspended on Monday at 10p, the par value, giving the group a market capitalization of £7.3m.

## Panel asks Caparo for decision on CMT

By Catherine Gunn  
The Takeover Panel has asked Mr Swraj Paul's private investment company Caparo to make up its mind and declare by next Monday morning whether it intends to mount a counterbid for West Midlands engineering group Central Manufacturing & Trading. Mr Paul was not available for comment yesterday.

Caparo announced on December 17 that it was considering a counter-bid for CMT, already the subject of a £13m offer from Hanson Trust made on November 28. Caparo had been building up a stake in CMT for several months and at that stage owned 15 per cent of the shares, to Hanson's 19.3 per cent.

However, though Caparo went on buying in the market, at 51p, and brought its stake in CMT up to 21 per cent at the last count, no counter-bid has been forthcoming. Hanson has refused to increase its offer worth 49p a share, and has now extended it until February 13, after receiving acceptances for only 9.1 per cent of the equity. The shares fell 1p to 51p in the market yesterday.

If Caparo decides not to bid after all, the Takeover Panel has said that it will agree to a "substantial extension to the final date" of the Hanson offer, if Hanson wishes.

In early November CMT announced a £581,000 loss before tax for the year to end July, 1980, compared with a £3.65m profit the previous year, and passed its final dividend.

## Yorkshire Fine Woollen hopes for requotation soon

The board of Yorkshire Fine Woollen Spinners is applying for a restoration of the company's listing by early March, and hopes to be able to resume dividend payments this year.

The shares were suspended on January 9 pending details of a rights issue to raise £550,000 net towards the £1.4m acquisition of knitted and upholstery fabric manufacturer AW Fabrics from the receiver of Cope Sportswear.

The rights issue document, now on its way to shareholders, indicates that dividends, which have not been paid since an 0.5p net interim in 1979, are likely to be restored this year.

Mr T. W. G. Ashdown, a director who was formerly on the board of Cope Sportswear, said yesterday that the group is now trading profitably. In 1980 it made a pretax loss of £291,000 after paying more than doubled interest of £214,000, and selling its dyeing and finishing subsidiary Allen Thornton & Sons at a £107,000 loss on assets in October.

Trading losses of £110,000 from Allen Thornton are shown as an extraordinary debit. The group received a £45,000 tax credit.

In 1979, group pretax losses were £56,000 before a tax credit of £95,000. Mr Ashdown said yesterday that the group is more optimistic about this year's results.

The acquisition of AW Fabrics, now renamed Yorkshire Fine Fabrics, has to be approved at an extraordinary general meeting on February 27.

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Moreover, the placing still leaves Lyle with the option of a cash call later on. But yesterday's announcement, however made no mention of this.

## Ascot TV quote is suspended

The board of Ascot TV Rentals asked the Stock Exchange to suspend its share listing: 6p yesterday until the company's financial position can be clarified, and the accounts to end-March, 1980, are finalized.

Ascot has agreed to sell some 3,500 television rental contracts to Telebank Television Rental for about £700,000 payable over 15 months, after considerable trading losses on its rental contracts business. The share were 6p before the request.

The managing directors of the operating subsidiaries have resigned and Mr M. A. Harpe is also stepping down from the main board, which is chaired by Mr Tony Rudd of Row Rudd, the stockbroking firm.

## GFSA half-year jump

Gold Fields of South Africa, the mining finance house in which Consolidated Gold Fields has a 46 per cent stake, raised attributable profit for the six months to the end of December more than twofold to £89.7m (£49.8m).

At the same time, the company announced a second interim dividend of 12p, after a first interim of 55p, was

Nevertheless, over the last year dividend cover has risen from two times to three times. Dividends for the year to the end of last June amounted to 400 cents, and profits were £124m.

The high gold price which so benefited Gold Fields also helped Gold Mines of Kalgour, the Australian producer. Consolidated Gold Fields consolidated operating profit from AS3.24m to AS4.73m (£2.36m).

Mr T. S. Jameson's personal direct holding in Security Centres remains unaltered at 16,666 ordinary shares. Mr Jameson confirms that neither he nor Jameson Management intend making further disposal of shares in the foreseeable future.

Record asset rise at Provincial  
Provincial Building Society's total assets rose by 17.3 per cent last year to £1,640m—the largest increase in the Provincial's history. New investment receipts expanded from £548m to £699m, while the net rise in investors' balances reached £218m, compared with 1979's £149m. The number of open investment accounts was up by 80,000 to 887,000.

Dale Electric's French takeover  
Dale Electric International, the Dale, Yorks, power systems company, has made an acquisition in France, its first overseas takeover.

It has bought 76 per cent of the French emergency power company, Comptoir General Impex for 4.1m francs (about £556,000) in cash from the Romano family, who started the company in 1946. The family retain 24 per cent of the equity.

Estimated turnover of Impex for 1980, is 12.2m francs (about £1.1m), with pretax profits of 1.3m francs (about £120,000). The company manufactures and markets emergency lighting units, battery chargers, fire and burglar alarms.

Business appointments  
Guinness Mahon director named  
Mr W. O. F. Wallis has been appointed a director of Guinness Mahon.

Mr Cyrus R. Vance, the former United States Secretary of State, and Mr Frank A. Baumgartner, Jr., have been elected directors of Manufacturers Hanover Corporation and Manufacturers Hanover Trust Company, its principal subsidiary.

Mr Malcolm H. Smyth has been appointed chairman of the board of A. C. Nielsen, the Oxford-based business and marketing research organization.

Mr Paul Williams has been appointed vice-president and general manager of Houston Consolidated operating profit from AS3.24m to AS4.73m (£2.36m).

Mr Lawrence Lerner, chairman and president of the Environmental Group (of which Saphier Lerner Schindler Ltd is the United Kingdom representative) will become chairman of Saphier Lerner Schindler Ltd on the retirement of Mr Hugh Saunders.

Mr P. B. S. Johnson has been appointed to the board of Johnson Group Cleaners.

M. J. H. Nightingale & Co. Limited  
27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

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1980/81 High Low Company Price Ch'ge Divs Yld P/E

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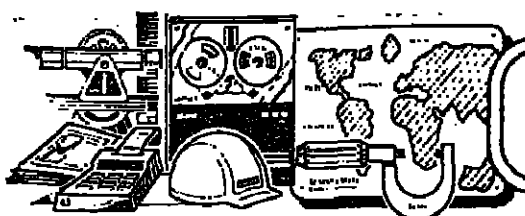








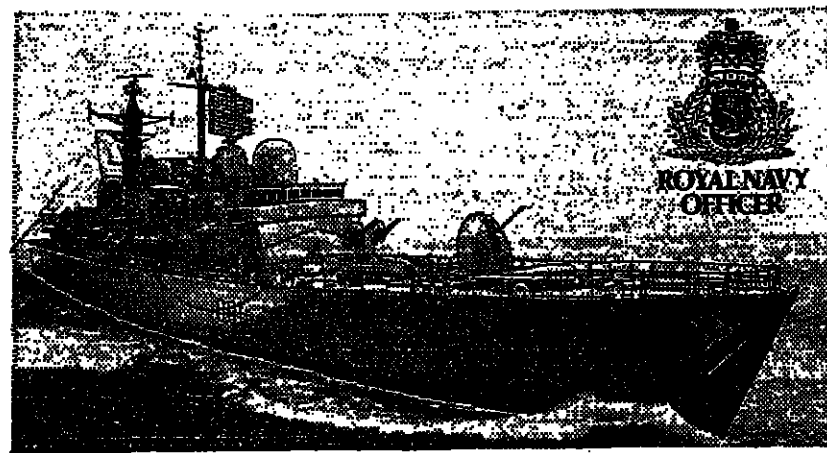




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For Captain W.J. Hindell RN, Officer Entry Section (19X4), Old Admiralty Building, Spring Gardens, London SW1A 2BE. Please send me more information about the new 3½-year Short Career Commission in the Royal Navy.

Name: \_\_\_\_\_ (Please print in block letters)

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The Navy's new Short Career Commission for Seaman Officers.

## YOUTH HOSTELS ASSOCIATION

The YHA wishes to appoint an

### ASSISTANT NATIONAL SECRETARY

to join its senior management team. The Association has recently undertaken a reappraisal of its management requirements and is seeking a person of proven ability to be responsible for public relations, publicity and fund raising.

Candidates should be able to demonstrate considerable knowledge and experience in at least one of these fields and ability to manage staff working in the others.

The Assistant National Secretary will be responsible to the National Secretary and will liaise closely with voluntary management on the work of the department.

The post is based at the YHA National Office in St. Albans.

Salary on a scale up to £10,000 per annum plus car allowance.

Applications should be addressed to:

THE NATIONAL SECRETARY

YHA, TREVELYAN HOUSE

ST ALBANS, HERTS. AL1 2DY

giving the names of two referees and full details of qualifications and previous experience (no forms).

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Responsibilities: Marketing and promotion, inc. brochure compilation; Client liaison; Staff support and supervision. Essential qualifications: Sound education, logical and clear mind, acknowledged business experience. Group travel experience not essential but would be an advantage. Salary £68,000 + car, BUPA, bonus scheme. Please write in confidence to the Managing Director

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OSTEOPATHS/PHYSIOTHERAPISTS

Due to future development programmes, plans for Forward Health, the company would be pleased to hear from suitably qualified Osteopaths and State Registered Physiotherapists who would be interested in taking up positions at home and abroad for the Forward Health Organisation.

Please write to Mr. T. Mole and Mr. R. Utley, Forward Health Holdings Ltd., Hertfordshire House, Wood Lane, Hemel Hempstead, Herts.

UNIVERSITY OF BRISTOL

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A Graduate or equivalent Engineer, with experience in the field of safety, is required for the University of Bristol to provide specialist advice, research and training in Mechanical Safety, including the design and testing of mechanical systems. The successful candidate will also assist in the general management and administration of the Health and Safety Executive would be an advantage.

Salary range: £4,700-5,500 or £5,000-5,800 according to experience.

Applications to, and further details from, The Deputy Vice-Chancellor, University of Bristol, Bristol House, Bristol BS8 1TH. Closing date: 28th February 1981.

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CONSULTANT CARDIOLOGIST required for a 12-month period. Please contact: JFL Recruitment Consultants, Tel: 01-304 8287.

BOOKKEEPER. Trial Balance and typing required for a Co. offering progression plus variety along with pleasant conditions and easy access to the sea. Salary £5,000 p.a. Call Philip, 343 7902 (E.W. Rec. Cons).

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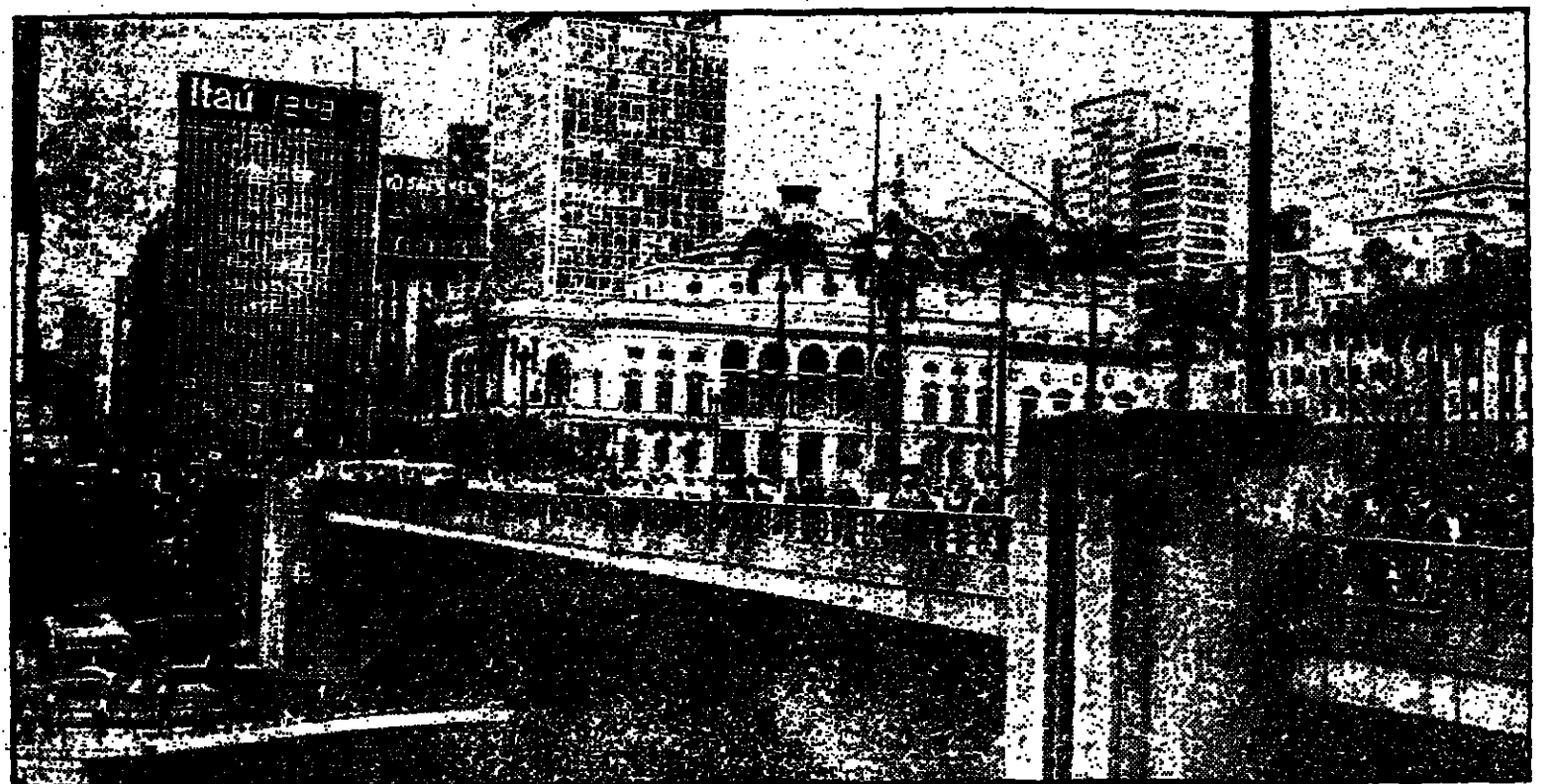






United Nations experts predict that, if present trends continue, six cities of the world will each have more than 20 million people by the year 2000. Peter Strafford describes the biggest urban magnet in South America, which the population specialists say could have 25,800,000 inhabitants by the end of the century

# SÃO PAULO



Carlos Freire

In 1872, when the first Brazilian census was taken, São Paulo had a mere 31,000 inhabitants and was only the tenth largest city in the country. Today, with more than eight million inhabitants in the city itself and with a total of 12 million in the metropolitan area, it is the largest city not only in Brazil but in the whole of South America.

And it is still growing. By 1990, according to official projections, the city alone will have about 11,500,000 inhabitants. Population experts at the United Nations have estimated that if present trends continue, the metropolitan area could have a population of 25 million by the end of the century.

São Paulo owes this situation to its dynamism as the industrial, financial and commercial capital of Brazil. It is a big, bustling city, which has attracted people from all over the country, drawn by the hope of earning more money than they could ever dream of in such backward regions as the north-east.

It has also absorbed, to a greater or lesser extent, large groups of immigrants from overseas. Over the past 100 years, Italians, Portuguese, Spaniards, Japanese, Germans and others have settled in São Paulo, making it as racially diverse as New York or Chicago, and with much the same sense of urgency.

The rapid growth has caused enormous problems, with the city's facilities failing to keep up with the increase in population. Like the rest of Brazil, São Paulo presents big contrasts between rich and poor; there are comfortable residential areas for the better off, and others where the inhabitants are destitute.

At the same time there is a distinctive sense of purpose about the city which

makes it resemble a Latin version of one of the industrial cities of the United States. People work hard in São Paulo, and middle-class Paulistas affect to look down on Cariocas, the inhabitants of Rio de Janeiro, as pleasure-lovers who want to do nothing but lie on beaches.

It is not a beautiful city, in fact, but one of two broad industrial areas and a few parks. Its central area is a forest of tall buildings, but even there the overall impression is one of shabbiness and lack of planning, the crowding of people in the streets making it seem like an anthill.

Paulistas claim that the University of São Paulo, founded by the state, is the best in Brazil; and they talk proudly of the city's theatrical life, comparing it as they do everything with Rio. For a Brazilian artist who wants to make his name, São Paulo, not Rio, is the place to come to.

The Roman Catholic church in São Paulo is headed by Cardinal Paulo Evaristo Arns, the Archbishop of São Paulo, who has been in the forefront of church moves to show more concern for issues of human rights and social justice. At the time when the military regime was carrying out policies of severe repression, he spoke out against torture and other abuses; today he is more concerned with the plight of the workers and the poor.

be quite true, but certainly São Paulo is much the richest of the states that make up Brazil, and there is a world of difference between the resources available to it and those of the poor states of the north-east, for instance.

There have been times in the past when São Paulo dominated Brazilian politics, providing many of its presidents. There was even an occasion in 1932, in the days of Getúlio Vargas, when the state declared an armed revolt against the central government. In Rio, and some Paulistas talked of demanding secession and setting themselves up as an independent sovereign state.

Nowadays the state's objectives are less ambitious, and São Paulo has become more central in the country. It continues to have great influence in a number of areas. It has its own publicly-owned airline, for instance, Vasp, which flies all over Brazil. It is also influential as a centre for the arts and for social movements of various kinds.

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Efforts are also being made to be more selective about new industries wanting to establish themselves in São Paulo. Those likely to

add to the existing levels of pollution are being either refused permission or else compelled to observe stricter standards. Those using advanced technology are being encouraged.

There is, however, no denying the need to improve the quality of life of the less affluent Paulistas, and to prevent general standards from deteriorating further. In Brazil's present economic crisis, it will not be easy. In an article last year on the 1980s, *O Estado de São Paulo* commented gloomily that there were only a few areas in which the quality of life would improve.

There would be a reduction in air and water pollution, it said. But public transport would be badly affected by the increase in the price of oil, and the traffic would be made worse by a doubling of the number of cars. Noise would become unbearable in many parts of the city.

It quoted a health official as saying that about 300,000 babies would be born each year, but that there would be little improvement in nutrition, schools, housing, wages or transport. Crime, already a serious problem, would increase further.

Nor was there much prospect of improving São Paulo's roads—7,500 miles long and only half of them paved and provided with lights—or the lot of those who have to make long and uncomfortable journeys into work every day, whether by building industry, they say, and that has meant that migrants from the north-east states are tending to go to the south, rather than to São Paulo, where in the last vote for the Senate the government party candidate was in third place.

It is perhaps on the Workers' Party, the PT, that eyes should be most firmly fixed. The PT is the country's newest and most dynamic party and its fortunes could well be taken as a measure of Brazil's real intentions to move towards democracy. In a decision which came as a surprise to many, not least its own members, the party was allowed to register officially last December. Some pretext could have been found to disallow it, but was not, which is a healthy sign. The next test will be the trial of Lula, and other PT leaders.

There are signs that with the increased participation of those who now have roots in São Paulo, as second and third generation immigrants with high aspirations, the state will increasingly occupy the centre of Brazil's political stage.

Patrick Knight

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## Economic giant that slept politically for years

Although São Paulo has been the most economically powerful state in Brazil for the past 50 years, it is only in the past five that it has come to have a similar status in the political life of the nation. At the beginning of the century São Paulo saw some of the most important strikes in Brazil, organized by anarcho-syndicalist Spanish and Italian descent, but it has only been in the wake of the strikes of the past three years in its minor manufacturing suburbs that São Paulo has once again become the most politically conscious and active state of the union.

Why, compared with such economically weaker states as Rio de Janeiro, Minas Gerais, and Rio Grande do Sul, has São Paulo sent so few presidents, either political or military, to the capital?

The great strikes of the early part of the century occurred before the phenomenon which has typified São Paulo state—migration. This has meant that at most times during this century there have been more people living in São Paulo who were not born there than Paulistas themselves. Once the force of the politically conscious immigrants from Europe had spent itself, Luis Inácio da Silva (Lula) was expelled and replaced by men from the Ministry of Labour, it is still not fully and their families who guaranteed.

The 1930s saw the assumption of power by Brazil's major political figure of this century, Getúlio Vargas. He set about establishing "vertical" trade union structures similar to those of Spain and Italy. In Brazil it meant that established workers—that small but important proportion in the big cities—were given security of job tenure, and a generous minimum wage (never extended to any besides a small urban working class elite) in exchange for which, essentially, workers gave up their right to strike and organize.

This right to strike, which is still greatly restricted by law, was not finally won back by the working class except for interludes, until two years ago. And as last year's strike in the São Paulo car manufacturing industry showed, when the force of the politically conscious immigrants from Europe had spent itself, Luis Inácio da Silva (Lula) was expelled and replaced by men from the Ministry of Labour, it is still not fully and their families who guaranteed.

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As well as crippling working class organizations in São Paulo, the relative prosperity of the state also inhibited the three major parties of Brazil in making progress there. The União Democrática Nacional (UDN), the Partido Democrático Social (PDS), and the Partido Trabalhista Brasileiro (PTB) made little impression in São Paulo, and in their place a series of populist leaders, such as Senhor Ademar de Barros and Senhor Jânio Quadros, came to take their place.

The present governor of the state, Senhor Paulo Salim Maluf, is very much in the populist tradition. But Governor Maluf, who took over two years ago somewhat against the wishes of President Figueiredo, whose candidate he managed to defeat in an indirect election, has proved totally incapable of behaving in the time-honoured populist fashion. Governor Maluf, a swash-buckling politician of the old style, has raised eyebrows among the traditionalists in the state because of his methods, but he is a man with solid achievements in previous posts in São Paulo's public administration.

He started his term of office with the loudly proclaimed aim of moving the state's administrative capital hundreds of miles inland from the crowded and chaotic city of São Paulo. This was one of the main planks of his successful election, as Senhor Maluf had raised much support from public men in the interior who resent their subservience to the distant city of São Paulo. The idea has many merits. São Paulo, a state the size of West Germany, is totally dominated by the capital, where half the Paulistas live. The success of Brasília in moving the country's centre of gravity to the west has shown such a move can work.

Critics say the huge sums such a move would cost would be better spent improving the city of São Paulo. But money which in the nature of things in Brazil might well be found for a new capital—a project in which many fortunes would no doubt be made—would never be found for improvements in São Paulo itself. Also, the more attractive São Paulo is made the more people will flock to it.

On the face of it, it looks as if the veteran candidate of the Movimento Democrático Brasileiro (PMDB), Senhor Franco Montoro, now one of the two senators for the state, would win easily. But Senhor Montoro has also been left behind by swiftly moving events. He has played hardly any part in the recent formation of new popular organizations encouraged by the church, which have led to the formation of the Partido dos Trabalhadores (Workers' Party).

He is fundamentally a populist leader and increasingly vulnerable in the refined political environment of São Paulo. The aim of the central government for São Paulo, as it is for all the states of the country, is to attempt to split the opposition as a tactic for getting its own man elected.

One politician who will probably benefit from this strategy is the still controversial ex-president, Jânio Quadros, who resigned the

presidency in 1961 and can, to some degree, be held responsible for the subsequent breakdown of democracy in Brazil.

Senhor Quadros has now allied himself with the tiny rump of the PTB, the Brazilian Labour Party. The main bulk of this small party, led by Senhor Leonel Brizola, of Rio Grande do Sul, deprived of the magic initials PTB by a controversial court decision in favour of the faction led by Vargas's niece, Senhora Ivete Vargas, have formed the PDT, a party with little expression in São Paulo.

However, Vargas, "the man with the new broom", strikes a chord with many older Brazilians, who feel he was pushed out of presidential office in 1961 by "dark forces" and are likely to vote for him.

The revival of Quadros, encouraged by the Government, has also given a new lease of life to the followers of his traditional enemy, Senhor Ademar de Barros, still starting from the fact that their man never made it to the presidency while Quadros did, and they may field a candidate too, further splitting the vote.

It remains to be seen what Lula's PT, the Workers' Party, will do. Senhor Luis Inácio would like to stand, and recent opinion polls have shown that he would stand a good chance of being elected governor. His forceful per-

sonality, his close identification with the north-east, with so many Paulistas, and the fact that he is really the only man around with completely clean hands make him an attractive proposition to many voters, middle as well as working class. Later this month Lula is due to stand trial on two charges of violating national security laws.

One is for incitement to strike, the other for incitement to class violence. It is conceivable that he will receive some punishment, even imprisonment, which would remove him from politics for some time. In any case, if he were to stand for governor and win, it is doubtful whether he could be absorbed by the system and it is unlikely that he would be allowed to assume office. Many are urging caution for fear of precipitating a crisis and a return to more arbitrary government.

The communist party, now allied with the PMDB, is urging this line.

Relations between São Paulo and Brasília are always a fascinating topic for discussion. Long gone are the days when there was a risk of São Paulo seceding from the federation. The state now needs the rest of Brazil more than the rest of the country needs it. Although so few presidents have come from São Paulo

in recent times, it has usually been able to capture for itself perhaps an even more important post, that of finance minister.

However, under the present electoral system, which allows a maximum number of congressmen from any state, regardless of population, and only two senators per state, regardless of size, São Paulo returns far fewer members per head of population to Brasília than any other state. Because São Paulo is increasingly a state of opposition in Congress, this imbalance is unlikely to be modified easily.

There may be some changes in the electoral rules before 1982, in an attempt by the Government to hold on to power. At present, votes can be cast for any candidate in any ballot box in the state, and those candidates with the largest number of votes throughout the state are elected. It is felt that altering this system to the British one, of constituencies, might alter the balance in favour of the government party, and this may be adopted before 1982.

Under the existing rules, voters may vote for candidates of different parties for both local and federal government posts. These elections are to be combined in 1982, and the rules may be changed to require electors to choose all candidates from the same party.

Many electors now vote for opposition politicians for Congress, while they are more likely to vote for government men for local posts, feeling, not without reason, that these men are likely to have easier access to funds. All these possible changes are likely to have great importance to São Paulo, where in the last vote for the Senate the government party candidate was in third place.

It is perhaps on the Workers' Party, the PT, that eyes should be most firmly fixed. The PT is the country's newest and most dynamic party and its fortunes could well be taken as a measure of Brazil's real intentions to move towards democracy. In a decision which came as a surprise to many, not least its own members, the party was allowed to register officially last December. Some pretext could have been found to disallow it, but was not, which is a healthy sign. The next test will be the trial of Lula, and other PT leaders.

There are signs that with the increased participation of those who now have roots in São Paulo, as second and third generation immigrants with high aspirations, the state will increasingly occupy the centre of Brazil's political stage.

Patrick Knight

add to the existing levels of pollution are being either refused permission or else compelled to observe stricter standards. Those using advanced technology are being encouraged.

There is, however, no denying the need to improve the quality of life of the less affluent Paulistas, and to prevent general standards from deteriorating further. In Brazil's present economic crisis, it will not be easy. In an article last year on the 1980s, *O Estado de São Paulo* commented gloomily that there were only a few areas in which the quality of life would improve.

There would be a reduction in air and water pollution, it said. But public transport would be badly affected by the increase in the price of oil, and the traffic would be made worse by a doubling of the number of cars. Noise would become unbearable in many parts of the city.

It quoted a health official as saying that about 300,000 babies would be born each year, but that there would be little improvement in nutrition, schools, housing, wages or transport. Crime, already a serious problem, would increase further.

Nor was there much prospect of improving São Paulo's roads—7,500 miles long and only half of them paved and provided with lights—or the lot of those who have to make long and uncomfortable journeys into work every day, whether by building industry, they say, and that has meant that migrants from the north-east states are tending to go to the south, rather than to São Paulo, where in the last vote for the Senate the government party candidate was in third place.

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Patrick Knight





The Rua Direita, the commercial centre of São Paulo.

## 'Locomotive which pulls Brazil'

São Paulo is often referred to as the 'locomotive which pulls Brazil', and although the state is responsible for this description is deeply resented by most of the other 21 states which form the Brazilian federation. It is a substantially true. Much more than in the case in countries which have grown over a far longer period, São Paulo state, which comprises only 3 per cent of Brazil, yet which concentrates about a fifth of the population, almost half of industry, and more than a third of the country's total wealth, is the nation's leading state in every sphere.

Partly because of its own natural advantages, but probably more because of the nature of communications in the second half of the twentieth century, in a country where aircraft frequently replace the car, São Paulo has an importance which it is difficult to appreciate from an old world, or even a North American, standpoint.

São Paulo is not the nation's capital, yet it concentrates almost half of the nation's industry, pays almost half its taxes; most of the banks have their head offices there, and the state is responsible for 16 per cent of the country's agricultural output. Few states approach the levels of farm productivity of São Paulo either, and increases of farm output in the state, which have been more than 7 per cent in each of the past three years, have almost all been accounted for by increased productivity rather than the incorporation of new lands as is the case elsewhere in Brazil. The average per capita income of São Paulo is about \$3,000—almost twice the national average.

Although São Paulo is important as an agricultural producer, it is its industrial predominance which is most striking. The state is responsible for 36 per cent of Brazil's industrial output, while 120 of the 170 most important multi-national companies operating in Brazil have their headquarters there. Equally as

important, and probably more so in the future, is that of it which can afford to eat sufficient food—far higher than anywhere else in Brazil. Sugar is the most important crop, and the state produces almost half—of Brazil's 7,500,000 tonnes production.

But perhaps more interesting is that it distills two-thirds of the alcohol now made. About 2,500 million litres was distilled in 81, the standbys of most NICs, or newly-industrializing countries.

São Paulo's 80,000 factories, which now employ 2,500,000 workers, make almost everything a modern state requires, and are increasingly able to find their export markets not only for the cars, lorries and buses made at competitive prices in the state, but also a wide range of machines and consumer durables. Many are highly complex, and are being sold mainly to Africa and the rest of Latin America, fast-growing markets hardly affected by the present world recession, which on closer examination is seriously affecting only a dozen developed countries.

The proportion of the \$60,000m value of the São Paulo state product represented by industry is higher than that of many Western European countries. Other international comparisons show that the economy of São Paulo state is larger than that of any of the six European countries, and any Latin American country other than Mexico and possibly Argentina. There is some doubt whether it is greater than that of Argentina or not. It depends on which figures are used, whether Paulistas are feeling in optimistic or pessimistic mood.

The value of São Paulo's agricultural production is substantially greater than that of any other state in Brazil, and is worth less than \$5,000m. São Paulo's agriculture has become very diversified, and has been sufficient to feed the state's population of 24 million.

is increasingly important to São Paulo, about a fifth of Brazil's coffee is still grown in the state, and it is an important export earner, contributing to the \$7,000m which São Paulo's exports earned in 1980. However, the coffee bushes are gradually being shifted to states to the north of São Paulo and Paraná, partly because of the increasing severity of frosts in recent years.

Coffee was probably the greatest single factor in making São Paulo the important state it is, as the huge profits of coffee production and its export brought to the state at the beginning of the century enabled the first industries to be built up. This industrial base and its workforce attracted the more modern industries which have come to replace the textiles and food processing, which were predominant until as recently as the 1950s. As well as industrial growth, São Paulo has diversified its agriculture enormously in recent times. Soybeans have become important, and while the state is still the most important cotton producer, the area planted to it has shrunk, although productivity has largely kept output constant.

Another newcomer is citrus. Those of you who have frozen orange juice for breakfast are almost certainly enjoying something which has travelled to your table from São Paulo. This would not have been the case only five years ago, but since then, Brazil has come to be responsible for 80 per cent of the orange juice traded around the world, and 90 per cent of the country's output, almost all of which is exported, comes from the massive new plantations and processing plants up state.

This is only the latest of many booms in São Paulo, and although over-optimism has resulted in too many bushes being planted in the past few years, and there is now a glut of juice, something like \$300m is being earned each year from

orange juice exports, which demand still grows strong. Like most of Brazil, state is being encouraged to agriculture, to help to create exports, and cut in prices, at a time when inflation is running at more than 100 per cent, as that of the state, as that of the country as a whole, at last year at an unexpected and to many rather welcome, 8.5 per cent, more than that in industry. Inflation is encouraging people to spend more their incomes on household consumer goods, and investment have dropped worrying levels.

Measures taken recently by the central Government on top of sharp cuts in public spending announced last year, are working their way through the economy and will almost certainly mean that São Paulo is as hard as it not been than, the rest of the country this year and next. Growth rate of only 5.1 per cent is expected in 1980. São Paulo economy, that of Brazil as a whole does not show signs slowing.

Those in charge of the state's economy are reluctant to opt for monetary solutions, which are producing such controversial results in the countries where they are being tried, such as Chile, Uruguay and Britain. However, even the present limited slow-down there has been a worry reduction in the number new jobs available in the state in the past few years.

Still, with the prior being given by this Government to exporting and agriculture—two of São Paulo's strong points—the state should escape the worst any recession, although nobody now expects the high growth rates of the 1960s and 1970s to return.

Patrick Knight

## Banking groups' rapid expansion

Since the military coup in 1964, banking has been the most favoured area of the Brazilian economy. According to Banco Lar, which is linked to Chase Manhattan Bank, the bank's share of national income doubled from 5 per cent in 1965 to 10 per cent in 1978. Reflecting the overall vigour of the São Paulo economy, banking groups from São Paulo have expanded particularly rapidly and it has now replaced Rio de Janeiro as the country's main financial centre.

Banking has also gone through a savage process of concentration over the past three decades, as banks have fought bitterly for survival. There are now 106 banking groups, compared with 400 in 1950. São Paulo has taken the offensive in this struggle; six of the country's 10 largest private commercial banks and seven of its 10 leading investment banks are now based in São Paulo.

Brazil's largest banking conglomerate, the Bradesco group, is based in São Paulo. It controls the largest private commercial bank, the largest investment bank and the second largest finance house. It also has interests in property, insurance and printing, and has diversified into such unlikely areas as cattle rearing in the Amazon and, more recently, the manufacture of computer software.

The group was founded by Senhor Amador Aguiar, one of Brazil's most successful self-made men. Senhor Aguiar came from a poor peasant family, and never acquired the urbane sophistication generally associated with a successful banker. He started his career in banking as an office boy, and built his empire through a mixture of shrewd business sense and dedication to an extreme form of evangelical Christianity.

The headquarters of the group, on the outskirts of São Paulo, is called the City of God. It houses about 800 families, most of whose members work for the group. In the early days the company established strong relations with its employees, providing housing, education and medical services but paying low wages.

With the group's rapid expansion, this paternalism has begun to falter; it may well decline further, as Senhor Aguiar moved into semi-retirement last year.

The group built up its strength by concentrating on expansion in remote areas where banking services had previously been unknown. As Brazil's agricultural frontier has moved back rapidly in recent decades, and as vast areas of previously unoccupied land have been turned into rich agricultural fields, this strategy has worked well.

About 480 of Bradesco's 1,250 agencies were opened as 'pioneer' branches. The policy has paid particularly high dividends since 1973, when the Government, anxious to prevent the emergence of over-banking, banned the opening of new agencies, with the exception of 'pioneer' branches. This rule was rigorously enforced until December last year, when the Government was forced to give way to the banks' repeated demands for new agencies, and authorized the opening of another 800 branches, about 7 per cent of the present network.

Traditionally, Bradesco has concentrated its efforts on building its strength inside Brazil, and has paid scant attention to the outside world. However, this is beginning to change. One of the first steps was to take in foreign banks as shareholders in the investment bank. A European group—Deutsche Bank, Société Générale, Amro Bank and Creditanstalt—and the Sanwa Bank of Japan both have a 10 per cent stake.

The next decision, taken as recently as last December, was to open agencies in New York and London. Significantly, the announcement came after the first board meeting chaired by Lázaro de Mello Brandão, who has finally taken over the presidency of the group from Aguiar. Bradesco commenced after the meeting: 'It is quite unacceptable that a bank of our stature should remain outside the constant process of internationalization of our economy.'

He said that the opening of foreign agencies would help Bradesco to provide more effective assistance the country's export drive, since it would be better placed to contract foreign loans to pass on to Brazilian companies.

All the commercial banks have been striving to strengthen their links with the international financial markets. Brazil's balance of payments difficulties have meant the imposition of stricter limits on the expansion of bank credit and the money supply. Banks have been driven to seek loans abroad, a development that is firmly encouraged by the Government.

Predictably, foreign banks are in a particularly favourable position. Even before the present credit squeeze foreign banks had strengthened their position. In 1974 the deposits in the hands of the 16 leading foreign banks operating in Brazil accounted for 11.9 per cent of total deposits in the private commercial banking sector; by 1978 the share of the foreign banks, which numbered 19 by then, had risen to 14.2 per cent. Because of the large expansion in banking turnover in this period, the real increase in their activities was much greater.

Sue Branford

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## Workers may face lean period after 'miracle' years

No government wishes to have to face the social and political problems brought about by recession and the unemployment that accompanies it. This is the prospect, however, that awaits not only Sao Paulo but all Brazil if the recent changes in economic policy achieve their intended effect.

After a decade of economic growth, there are several factors in the recessionary equation which the Government must be wishing were different. Poverty, for example, is still widespread, and social security provisions for assisting the unemployed are limited and sparsely dealt out by a grudging bureaucracy. More important, the recently revived labour movement is still on the rise, and with more than a decade of sacrifices fresh in its collective memory, is in no mood to bear the brunt of the lean period which now seems inevitable.

Unemployment and underemployment, that sociological euphemism for scratching out a living when you cannot get a job, have traditionally been widespread in Brazil. In 1972, an official survey in greater Sao Paulo showed an unemployment rate of 12.9 per cent for men and 12 per cent for women. It made no estimate of underemployment, though other studies customarily show it to be well above the unemployment rate.

The dynamic growth of the economic miracle years (1969-74) was made possible at the shop-floor level by the incorporation into the workforce of large numbers of women and children, who had previously occupied a more marginal role in production. Moreover, the customary flow of job-seeking immigrants from other regions, particularly the north-east, became a flood, thus providing a pool of surplus labour which enabled employers to keep wages rates down, to replace workers lost through death (45 years) with fresh hands, and so on. Complaints were few as this was the period of repression, when the police held carte blanche to deal with the workers.

At the same time, the provision of resources to meet the social needs of the

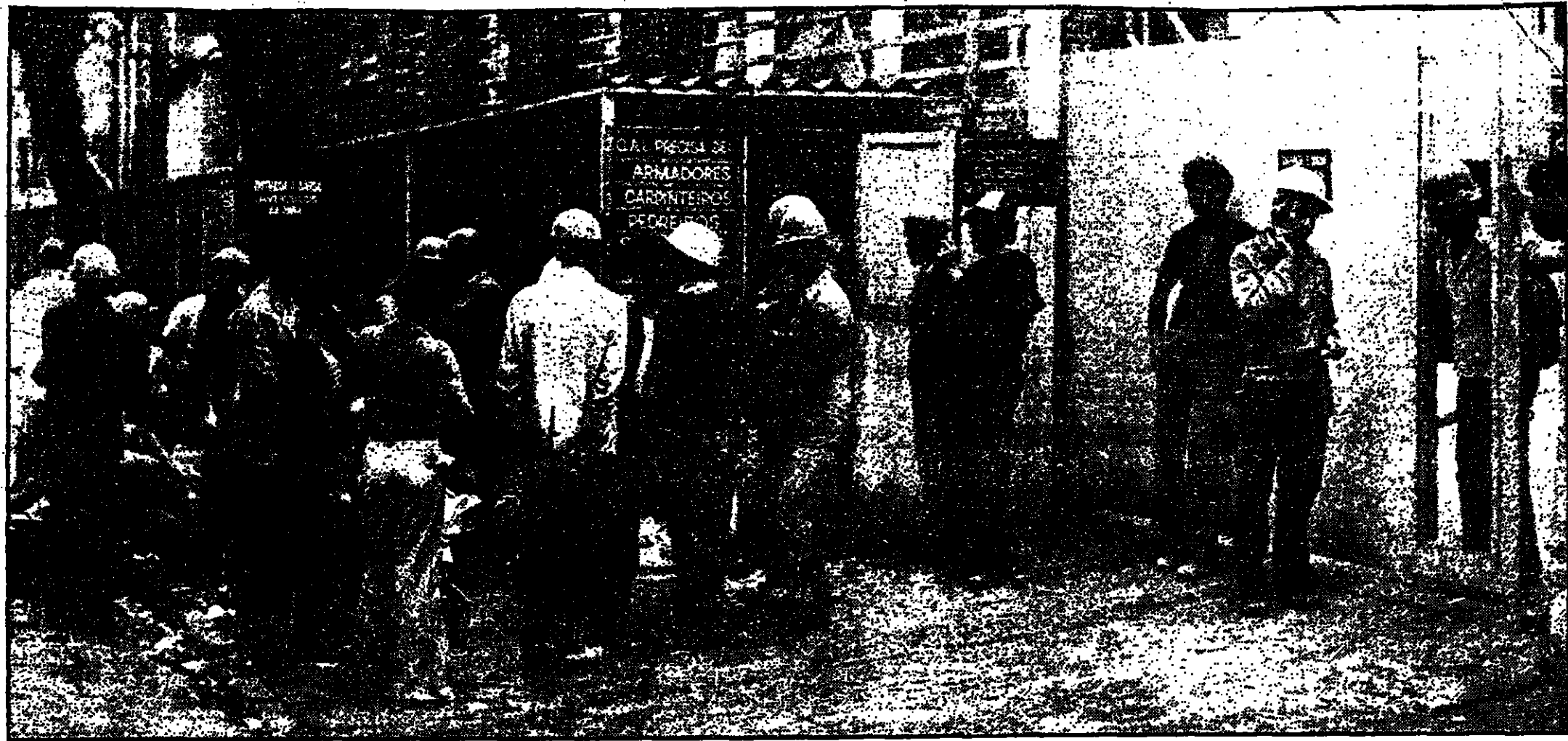
rapidly growing population of Sao Paulo and other industrial centres was pitifully inadequate. Thus the new arrivals, whether in work or not, usually had no resort but the cardboard and corrugated iron shack of the shanty town, with its lack of running water, sanitary facilities, sewerage or public transport.

In 1974 Sao Paulo, despite its ugliness, seemed some kind of tribute to this form of growth. Poverty was still widespread, of course, and some social indicators, infant mortality for instance, had scarcely deteriorated, but the dynamism of the process was undeniable—output was shooting up, and most important of all, from the point of view of ordinary people, jobs were being created at a fast rate. The concentration of income was growing, but it seems likely that so was the real income of many workers, particularly the skilled, who were in short supply. Eventually, it was argued, the real gains would spread down to the poorest.

In the aftermath of the miracle, however, the twin problems of inflation and a deficit balance of payments imposed themselves once more. At the same time the atmosphere of repression lifted somewhat and opposition to the military regime slowly began to manifest itself once more, not only among liberal-minded sectors of the middle classes, but also on the factory floor.

In 1978 strikes broke out in the Sao Paulo industrial suburbs known as ABC (Santo André, Sao Bernardo and Sao Caetano). The strikes, the first for 10 years, were tolerated as the regime itself, then engaged in extensive reassessment of its long-term political strategy, was coming to the point of view that a policy of liberalization provided its most viable way forward. Real gains in pay were made in the strikes, which soon spread to other sectors, and which became commonplace in the following months.

Though dormant during the years of repression, the labour movement had not been dead. Within its ranks had been developed a thoroughgoing critique of the trade union structure, which



Construction workers in Sao Paulo, members of a workforce with whom maintenance of good relations poses a stern test for the Government.

authentic movement which preoccupies the Government; it is also its insistence on seeing the improvement of the workers' lot as a political issue. Moreover, the movement rejects the dependence on professional politicians which has tended to characterize Brazilian working class politics in the past. It has established its own Partido dos Trabalhadores (Workers' Party), which is rapidly gaining adherents, not only in the industrial cities, but also in many rural areas.

The Workers' Party is a unique phenomenon in Brazilian political life. It has introduced an unforeseen factor into the regime's strategy, based as it was on

the assumption that an eventual return to civilian rule would involve little risk since Congress consists of parties which function not according to ideological principle but on the basis of personal expediency.

The Government did make a half-hearted attempt to prevent the Workers' Party achieving legal registration, on the ground that it was class-based. But such a move could have been a dangerous provocation, and eventually the party proceeded to register itself without any impediment.

Meanwhile the authentic movement has shaken up the whole trade union structure, which previously was controlled by *pelegrinos* (union leaders), usually corrupt,

who are in the hands of the Government. The movement has won widespread support among workers by its readiness to fight for better pay; but its great threat, or promise, is its long-term aim of achieving legislative reforms to make the unions independent of the state.

This determination was a key factor in the huge strike of metalworkers in Sao Paulo last year. Some 300,000 workers initially came out in support of a package of demands. After a week they had half accepted a compromise wage settlement drawn up by the local labour tribunal. But 150,000 regarded their demand for the right to have shop stewards as more important than the

demand for higher pay, and stayed out even when the strike was declared illegal. The ABC area was to all intents and purposes occupied by the police and army, and the union leaders, including Lula, arbitrarily removed from office. When after 41 days they returned to work, their demands unmet, it was not because of the increasing level of police violence directed against them, but of economic hardship.

The Government was more than a little impressed by this display of what it termed "intransigency" and it was decided to break up the huge ABC metalworkers' unions into smaller units. Senhor Murilo Macedo, the Labour Minister, was sent

off to the United States to investigate the suitability of that country's trade union model for Brazil. And national security charges were brought against Lula and 12 other union leaders who had been in the strike. More charges were brought against Lula recently over a speech he made in the Amazon state of Acre after the murder of the local Workers' Party organizer.

Although both inflation and the balance of payments have worsened considerably during the past year, the economy, and industry in particular, has proved surprisingly resistant to attempts to slow it down. Last month's economic package signals acceptance by the

Government that a recession must be brought about. The target for growth this year is 4.5 per cent, very modest for a developing country and well below the 6 per cent needed to create enough jobs to keep unemployment and underemployment at their present levels.

Rising unemployment often dampens labour militancy. It is unlikely, however, that the authentic movement will remain quiescent. Rather, some time this year, the Government will probably face its severest test yet in the kind of labour relations which its predecessors preferred to repress out of sight.

Nick Terdre

### ADVERTISEMENT

## SÃO PAULO UNDERGROUND - BRASIL INTERNATIONAL PERFORMANCE STANDARD

The Sao Paulo Underground, the first to be introduced in Brazil, completed in 1980 six years of operation, has become firmly established as an important high quality collective transportation system. The policy to absorb underground technology, which Companhia do Metropolitano de São Paulo—Metrô applied during the design, construction and operation stages, along with the use of new operational strategies, extension of services, perfect maintenance and besides the fact that unexpected operational situations had been overcome with full success, confer to the Sao Paulo Underground an international performance standard.

Although only recent and with merely 23 kilometers in operation, the Sao Paulo Underground is one of the world's most dense considering the relations of transported passenger per kilometer of line. In the course of 1980, Sao Paulo Underground transported 208,573,919 passengers, reaching on the 22nd December its record per day—770,547 users.

### OPERATION

One of the characteristics to distinguish the Sao Paulo Underground is the operation's highly automatic level and decision centralization, providing the world's most advanced standards of safety and reliability. The automatic operation goes from the trains speed control, acceleration and braking, doors opening and closing, escalators reversion and electronic blockades, up to power supply and composition dispatch on the Parking Yard and Workshops.

Supervision and control of the entire operation is carried out through the Operational Control Centre by means of computers and electronic panelboards, with help of a radio-telephone communication system and TV closed circuit.

Another computer and two additional electronic panelboards connected to the Operational Control Centre perform the same function in the Parking Yard and Workshops.

The operation structure consists of the following sectors: movement (train movements along the line and in the yard), stations (interconnection system/public terminals administration and operation of bus terminals, whether integrated or not to the Underground); the support sector is responsible for activities not directly related to the opera-

tion as such but necessary for a good performance.

### MAINTENANCE

The Maintenance sector, responsible for the operation of the entire equipment, employs pioneer labour in Brazil and uses all efforts to develop a technology of its own and improve its performance for a continuous upgrading of the system's reliability.

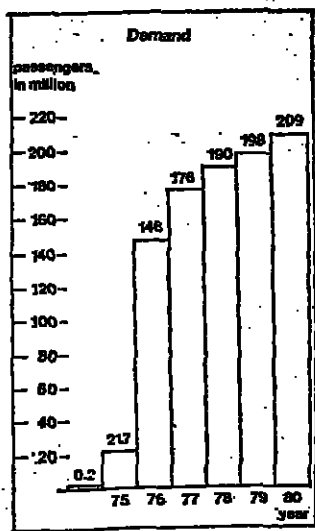
The maintenance of rolling stock are of three kinds: Preventive Maintenance, Corrective Maintenance and General Overhaul; at present, Preventive Maintenance is being programmed and developed, and meant to accompany the life of each train component. On the other hand, and by means of researches, materials development is being achieved, with a view to substitute importations with Brazilian components.

Factors that contributed to the growing improvement of equipment performance were the betterment of preventive maintenance, studies on an engineering level making optimization of equipment used possible, training of maintenance personnel and the constant follow-up of maintenance activities on a detailed basis.

The results reached by the operation show that the Sao Paulo Underground has a permanent character. The enterprise is incorporated in the City and will continually have to enlarge its services with new lines and extensions, growing with the metropolis and contributing to the social and economic development of Brazil in the irreversible role represented by the City of Sao Paulo. The basic underground system for Sao Paulo was defined in 1965, starting from economic-financial and feasibility studies and preliminary engineering design. Due to urban changes of the City, this plan underwent an evolution with a view to transport integration and enlargement of the attendance area. Thus a priority system had been decided on, consisting of four lines, 65 stations and 70 kilometers extension.

### THE FIRST LINE

The construction of the first line started towards the end of 1968 and began its commercial operations in September 1974. Dividing the City in the North-South direction and crossing its geographical, banking, commercial and historical centre, it is 17 kilometers long, counts with 20 stations and its influence area comprises about 10% of the total metropolitan area with almost 30% of the population.



The stations are functional, making the passengers circulation easy and with quick access to the exits. These then are double, that is, they are the crossing point of two lines: Sé Station in the centre of the city, where North-South line crosses the East-West (2nd) line; the Luz Station, the crossing point of the North-South line and the Southeast-Southwest line; and the Paulista Station, where the North-South line crosses the future Paulista line.

On the South far end of the line are the Parking yard and workshops on an area of 260 thousand square metres; on the North far end, the Line will get a supplementary line in the future, increasing its extension.

Up to 1980, US\$1,346.6 millions were already applied to this line, at prices valid on December 1980. With the intention of improving the public attendance, principally diminishing the headway (which is today 21/30 as a minimum) Companhia do Metrô is planning for the next year's additional investments in civil works, expropriations, rolling stock, systems, and studies and projects, amounting to US\$25.2 million.

### THE SECOND LINE

At the final stage of the North-South line construction, the Metrô de São Paulo started the works of the second line, the East-West line. The route of this line serves an area with 43% of the metropolitan region's population and has the greatest urban employment concentration. Once it is totally installed, the East-West line will have a 25 Km extension and 20 Stations with a



great Parking Yard and work shops on the East far end and two more smaller yards, one on the West end and another intermediate one. Still to be opened routes: the Paulista line and the Southwest line. The first alternative 15.6 kilometers long, will pass through the new commercial centre of the City, the Paulista Avenue, and will have 13 stations. The second line, 13.3 kilometers long, will have 14 stations.

### THE THIRD LINE

The studies for the implementation of the third line have already been finished, with two proposed routes: the Paulista line and the Southwest line. The first alternative 15.6 kilometers long, will pass through the new commercial centre of the City, the Paulista Avenue, and will have 13 stations. The second line, 13.3 kilometers long, will have 14 stations.

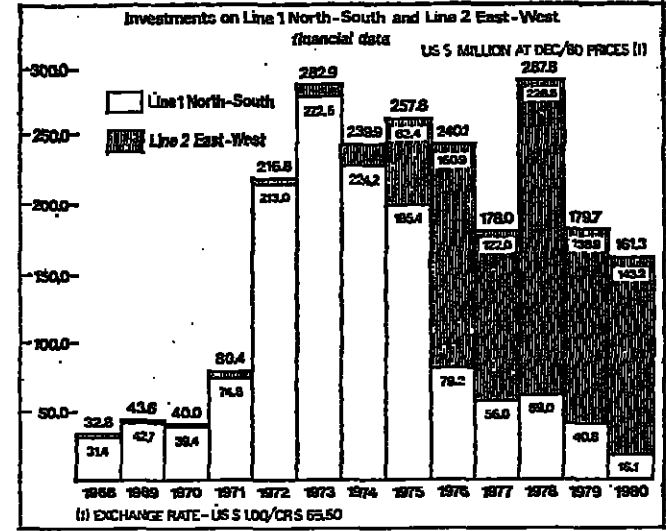
### FINANCIAL RESOURCES

In order to absorb the investment volume of the first two lines, the Companhia do Metrô counted with resources from the Federal, State and Municipal Governments, their own resources and funds from third parties, represented by loans and credits in currency and for material purchases, equipment and services. The Capital of Companhia do Metrô reached up to 1980 the

amount of Cr\$47,232.6 million with the following shareholders participation: Government of the State of São Paulo, represented by the Empresa Metropolitana de Planejamento da Grande São Paulo—Empasa (42.1%), São Paulo Municipality (41.0%), Federal Union Government, represented by the Empresa Brasileira de Transportes Urbanos—EBTU (16.0%) and other minor shareholders.

In order to complete the Companhia do Metrô's capital increase, both São Paulo Municipality and the State Government eventually resorted to foreign loans, where the participation of the London Financial Market is observed.

The funds from third parties taken by the Companhia do Metrô has as their aim to finance goods and services and the loans were assigned to cover the firm's general expenses. As from 1975, the Company had only taken credits to purchase goods and services; from that time on-



wards, the loans were raised by the State and Municipal Governments, who pass them over to Metrô in form of Capital.

The revenues coming from the operation of the two lines and from dues for the use of highway terminals managed by "Metrô" since the commercial operations start (September/75, North-South and March/79, East-West) until 1980, reached the amount of US\$147.4 million at December/80 prices. "Metrô" also counts with non operational revenues coming from rentals of shops and advertising panels in Underground stations and highway terminals and from other sources, amounting to US\$56.1 million until 1980.

### NATIONALIZATION

As a pioneer Underground work in Brazil, the North-South Line of the Sao Paulo Underground counted with Brazilian and international technology of highest standards and required the most perfect and elaborated equipment, some of which imported. Yet, the East-West line is already reaching excellent nationalization rates thanks to the Company's efforts, along with the Brazilian industry, in the sense of developing local raw material and techniques for civil construction, the introduction of the Underground has brought about the development of new construction methods. It may, thus, be said that "Metrô de São Paulo" has already developed a "know-how" of its own in civil works and is now in conditions to transfer technology for similar implementations.

Also in the sector of operation and maintenance "Metrô

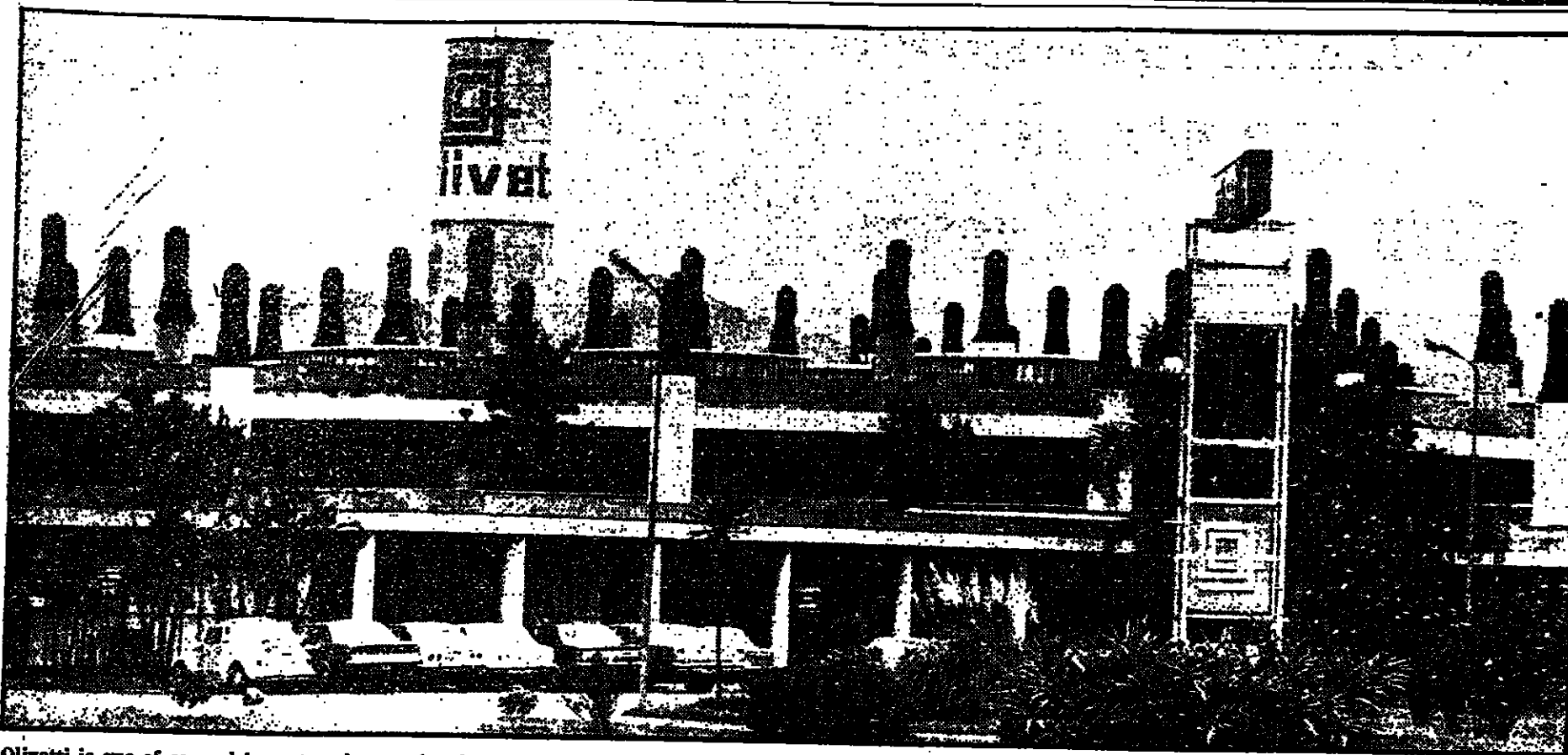
de São Paulo" developed high level methods. An example of this is the recent conclusion of training given to a first group of technicians of the Caracas (Venezuela) Underground, by means of a technical cooperation agreement signed between the two Underground companies.

The results "Metrô de São Paulo" obtained with regard to operations, transport capacity and receptivity from users population show how right the adopted solutions had been. The need to establish new underground corridors within the City became evident. These will constitute the vital part of an integrated transportation system in which other transportation means, whether collective or even individual play an important part as feeders.

In certain cases, acting moreover as an impelling renewing force, "Metrô" takes the opportunity to carry out the "surgery" necessary in deteriorated areas of the City. However, along its direct influence area and as it moves away from the City's central area, "Metrô" appears as an activator for new development, social and economic centres, so important for urban deconcentration.

In all this context, "Metrô" assumes the position—and is thus faced by the population—of a collective asset of urban utility of a significant social nature which provides direct and indirect benefits to the metro-polluting area of Sao Paulo, to the Brazilian economy and which induces to acquire new and better habits under conditions of social well-being.





Olivetti is one of several important international companies with factories in the city.

## The hub of industrial production

There are few major countries of the world in which one state has such an overwhelming proportion of total industrial production as Sao Paulo. Almost half the output of what is now the world's tenth largest economy is to be found in the state, most within 30 miles of the city itself.

There are various reasons. There are abundant resources of hydroelectricity, easy to harness; a climate which, because of the altitude of the city and surrounding areas, is, for most of the year, more conducive to hard work than in most of Brazil; the availability of surplus capital from the early boom years of coffee production, when Brazil was responsible for almost 90 per cent of the coffee traded around the world, most of it from Sao Paulo state.

But it was not until the 1950s that Sao Paulo really began to diversify, and attain rates of growth which sometimes reached over 10 per cent a year, with a huge influx of men, skills and capital from the rest of Brazil and, increasingly, overseas. Of the 170 multinational companies which have played so great a part in Brazil's recent development, 120 have their headquarters in the state.

It was during the Kubitschek government that Sao Paulo industry began to flourish, with the first major investments in the motor industry, and the building of such industries as steel, oil refining and electricity generating equipment.

Steel is one of the few industries in which Sao Paulo is not predominant. The important, and increasingly efficient, Sao Paulo Steel Company, Cosipa, is responsible for only a quarter of Brazil's steel output, which is concentrated in the states of Minas Gerais and Rio de Janeiro. This is because these states are nearer the reserves of iron ore, a raw material that Sao Paulo lacks.

However, the Cosipa plant has been one of Brazil's most successful steel exporters, mainly to the United States and Europe, and in 1980 for the second year in succession Brazil's exports of steel were greater in value than its imports.

Although Brazil's steel output is now the eighth largest in the world, it still has to import some special steels, although such specialized steels are made in Sao Paulo. It is also increasingly the state where the major concentration of non-ferrous processing, apart from aluminium smelting, is carried on.

Despite its predominant position, Sao Paulo is mainly a processing and finishing state, rather than one where raw materials are mined or initially processed. Although the state has an important and petrochemical industry, little new investment in the first stages of chemical refining is being made there, but in Bahia and Rio Grande do Sul instead. Sao Paulo is where finishing processes are carried on.

Aluminium smelting will increasingly be concentrated in the Amazon regions where enormous reserves are found, and where energy is abundant. New steel making investment is being concentrated in Minas Gerais, in Espirito Santo and, at a later stage, will be increasingly in the north.

Sao Paulo is predominant in heavy industry and consumer goods, spearheaded by the important motor industry, 30 per cent of which is concentrated in Sao Paulo state and which is now the world's eighth largest. For the past three years, just over a million vehicles have been made each year, about 600,000 of them passenger cars.

The Volkswagen, General Motors, Ford and Scania plants are to be found in and around Sao Paulo, one of the major concentrations in the world. Only Fiat, and the recently arrived Volvo plants are not in Sao Paulo. The home market has been the major attraction for the industry for the past decade and, apart from VW, which has exported some 15 to 17 per cent of its output, the rest have exported only a small proportion of their output.

However, it looks as if Brazil's motor industry is at long last facing a significant fall. The high cost of fuel, and a credit squeeze increasing in intensity, has ended the boom and VW, seeing its market share shrinking, laid off 3,000 workers last month.

The most pessimistic forecasts are that output will be down by more than 10 per cent this year. And all the motor companies are planning to step up their exports over the next few years, in the wake of major investments. The industry is already Brazil's major industrial exporter, and vehicles and parts worth more than \$1,500m have been sold abroad in each of the past few years.

An increasing trend will be the export of engines and components in greater numbers. Ford, VW and Fiat already export hundreds of thousands of engines to other plants around the world. General Motors will soon be adding 250,000 engines for its "world car" to this number, starting this year. For their weight, engines are very valuable, as price advantages in several export trades are offset by high freight charges.

With labour costs a fifth or sixth of those in Western Europe, and most raw materials far cheaper, cars made in Sao Paulo can be sold for half the price of similar vehicles in Europe or the United States—or for even less. But high freight charges and infrequent sailings mean that they are often not competitive except on the Latin American continent.

Brazil imports little other than oil, wheat from Argentina and Canada, some coal and non-ferrous minerals, petrochemical industry, little and advanced factory components. But unlike Japan, which can invariably find it lacks to carry a return load, ships leaving Brazil are often forced to make the return journey empty. This

makes manufacturers uncompetitive in many markets.

High unit value goods such as engines, and some other sub-assemblies and components, do not suffer to the same extent. In any case, they are mainly sold to Europe and the United States, from where there are return cargoes, whereas the tough Brazilian-made cars are best suited to African, or other Third World conditions, where Japanese penetration is increasing.

The Embraer 18-20 seats Bandeirante aircraft, made near Sao Paulo, familiar to cross-country travellers in Britain and other European countries as well as the United States, has proved to be one of the world's most successful feeder aircraft. It is economical when flown on to the market where fuel prices were rising rapidly and small jets were pricing themselves out of the market.

Brazil has sold well over 100 of these aircraft abroad, as well as many more to her own feeder lines. It is hoping to follow this success with a 30-seater Brasília model, due to fly next year, although competition will be far greater than it was for the smaller aircraft.

Another industry almost totally dominated by Sao Paulo is railway rolling stock. Although Brazil's railway building programme has been rather stop-go in recent years, with the pressing need for fuel-efficient railway lines coming into conflict with the need for expansion in government investment, three major lines are being built. Although none is in Sao Paulo state, large orders for locomotives and rolling stock have been placed, while suburban railway systems are also being extended and modernized.

The energy investment plan will not be curtailed and with demand for electricity growing by 12 per cent a year, more capacity is being installed than already exists in all Brazil. The need for turbines, transmission and transformation equipment is keeping much of Brazil's heavy industry almost fully occupied.

The arms industry is also concentrated in Sao Paulo. Several hundreds of the fast armoured cars sold to Iraq are playing a role in the current hostilities. Brazil has also specialized in refurbishing older Second World War tanks and large orders from China and Egypt are reported to be in the pipeline. Brazil's main markets for arms are in the Third World and in 1980 some 80 per cent of exports went to less developed countries.

With output of staples such as sugar, coffee, cocoa and rice continuing to increase, industries making machinery for processing farm commodities are flourishing, as is the tractor and farm machinery industry which is largely concentrated in Sao Paulo. Also flourishing are firms playing a part in the alcohol programme. Several hundred, often large, distilleries, attached to sugar mills, will have been built by 1985.

Patrick Knight

## Sugar to make alcohol for energy

"Within a few years the state of Sao Paulo will be just one enormous sugar-cane plantation, straddled by flyovers", a former Brazilian minister said recently. The sugar will not be spooned into the coffee of sweet-toothed Brazilians; neither will it be used to produce ever-larger quantities of cachaca, the popular local white rum; nor will it be exported.

Instead, it will be converted into alcohol and pumped into the engines of the rapidly increasing number of alcohol-fuelled vehicles. By 1985, Brazil should be producing 10,700 million litres of alcohol, which should be enough to account for 40 per cent of fuel consumption by vehicles.

No less than 65 per cent of the sugar-cane is to be cultivated in the state of Sao Paulo, although this state only covers 3 per cent of the country's total territory. From one point of view, this is only fair, as Sao Paulo, the industrial centre of the country, accounts for an overwhelmingly large share of the country's energy consumption. But many politicians regret this decision for they see the alcohol programme as a failed opportunity to carry out a major social programme that could have led to a significant redistribution of wealth in Brazil.

For the Government could have opted for large-scale production of alcohol from cassava, a crop that can be readily cultivated by peasant farmers.

None the less, the alcohol programme is undoubtedly a daring and imaginative response to the heavy constraint imposed on the country's development by CESP has built 16 hydro-

electric power stations, which have a combined installed capacity of 8,300,000 kW. None the less, the considerable effort has brought no more than temporary relief to the state's energy shortage.

It has been calculated that all the major water resources in the South-east region will be exhausted by 1985. In view of the Government's deflationary policies, these predictions of shortages may prove alarmist. It is none the less clear that by the end of this decade at the latest, Sao Paulo will be importing energy. Where will it come from?

One plan is to bring down energy from the Amazon region, which has the capacity to generate at least 60 million kW. One of the problems so far has been technical: how to transmit the energy over such a long distance—about 2,500 km—without substantial energy loss. However, almost half the power generated by Itaipu will be converted to direct current and brought by cable to Sao Paulo. This experience will prove invaluable for later transmissions from the Amazon.

Another project, which is under negotiation, is the construction of a pipeline from Santa Cruz de la Sierra in Bolivia, where large reserves of natural gas have been discovered, to Curitiba and on to Sao Paulo. This scheme, which has been mooted for several years, was brought much closer to reality with the announcement last month that a letter of intention had been signed by the Bolivian and Brazilian governments.

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## Flood of migrants has abated

Brazil is a country of migrants. The census taken last year is expected to show that 60 per cent of the country's 120 million people had moved from one municipality to another during the previous decade. Forty per cent of the population made such a move in the 1960s, and Brazil is increasingly becoming a country where most people live in towns or cities. More than 60 per cent now do, and 70 per cent will by the end of the century. No state in Brazil has proved more attractive to migrants than Sao Paulo, and even almost half of the state's 24 million people were born outside it.

However, patterns have changed enormously in recent years and the flood of immigrants who were attracted to the state from the 1940s to the end of the 1960s has now slowed to a trickle. Migrants on the move within Sao Paulo state, and coming into the city itself, are far more likely to have come from somewhere else in the region than from the north-east, as was the case for so long.

Although the great flood of immigration into Sao Paulo closely followed the rapid period of industrialization, and reached its peak in the late 1950s and early 1960s, when 250,000 people a year were moving into the state from the north-east, immigration started far earlier, although on a far smaller scale. Already the country's industrial state, although their virtually confined, to textiles and food processing, Sao Paulo was the great attraction to tens of thousands of Italians and Spaniards, men who gave such a flavour to the early life of the city, then only a few hundred thousand in size.

Important contingents came from the Middle East as well, and Sao Paulo's Lebanese and Jewish communities are important. Large contingents of Japanese, often sponsored by their government, came in the 1930s, and this community has been particularly important in ensuring that Paulistas eat better and have more variety of foods than any other state of Brazil. For the Japanese are Brazil's market gardeners, and they still ensure that the city is provided with fruit and vegetables of a quality which can hardly be equalled anywhere.

Interestingly, and in contrast to what has been the pattern in North American cities, the Japanese are really the only ethnic group to have maintained their own quarter of town. Liberdade, where along with the smaller Chinese community they have an enclave conveniently near the centre of the city for gourmets. The parts of town occupied at the beginning of the century by the Italians and Spaniards are now commercial districts, overwhelmed by the rapid growth of the city, and this fast growth has served to

make the city of Sao Paulo one of the most effective melting pots in the world.

The mass immigration into Sao Paulo during the industrial boom which began in the 1940s, and has still not entirely spent itself, was one of the biggest mass movements of population in history. In its peak year, 1952, 250,000 new arrivals were recorded in the city. As recently as 1940 greater Sao Paulo had been a collection of towns which could boast a population of 1,500,000, but even then almost 70 per cent were immigrants. At that time, the city concentrated only a fifth of the population of the state. By 1950, the population had almost doubled to 2,500,000, and by 1960 it had doubled again, to five million, half of them immigrants.

Growth slowed marginally in the 1960s, and by the 1970s the city had 8,100,000 people living in it, but the proportion of immigrants had by then dropped to 32 per cent. Now the population of greater Sao Paulo is about 12 million, the city accounts for about 45 per cent of the population of the state, but the proportion of them who are recent immigrants has dropped to 16 per cent.

In the past few years, immigrants reporting to government checkpoints each year have shrunk to a mere 20,000, 10 per cent of the numbers coming into the city in the great boom. More about 30,000 are coming into the city from other parts of the state than from outside it, and the city's growth is now far greater than both.

Sao Paulo is recognized by all concerned to be saturated, and people and industries are turning to a new pattern of migration, moving to half a dozen other important cities in the state, most of them less than 200km from Sao Paulo itself, and along the important roads. Many of them are growing just as fast as the capital did 20 years ago.

The reasons for migration have changed fundamentally as well. Demographers refer to two basic types, "pull" migration, where potential travellers are attracted to another place by the real opportunities of a better life, and "push" migration, where people are just forced to leave without anywhere obvious to go. In the 1950s and 1960s, Sao Paulo provided the pull and whole families of north-easterners made the trek, most of them catching the famed "train from the north" which left the city of Salvador, in Bahia, and four days later ended its slow trek at the Roosevelt station in Sao Paulo, bringing 5,000 people at a time.

Now the train from the north no longer runs, and it is not even possible to travel by train from Salvador to Sao Paulo, as the line is for freight only along some of its length. Those who come take the bus. But

there are few families among them, and most are young men who plan to stay in the big city for a few years, then return to their families with a bit of capital. A recent survey of migrants showed that half of them were travelling to take advantage of the better health facilities that rich Sao Paulo has available, and did not plan to stay long.

Most of today's migrants are being pushed rather than pulled as there are few job opportunities to attract them to Sao Paulo. There are no large-scale civil construction works going on, the first foothold on the ladder for most migrants, who now have to travel deep into the interior to work on dams or in mines to get a start. Most of the migrants are being pushed off the land, and this explains the greater move from the interior of the state, and from the rest of the south-east, now ironically generating more immigrants than the backward north-east, as modern methods and machines push labour off the land. Now only 9 per cent of Sao Paulo's population works on the land, but other states are following its lead.

The change in status of the immigrants has also led to a new phenomenon in Sao Paulo, favelas or slums. When those hardies came in from the north-east in the 1950s and 1960s, they may have lived badly at the beginning, but they did not end up in the sort of favela shacks associated with the Rio de Janeiro hillsides, or the Recife and Salvador swamps. Now they often do, and a million or more are now living in favelas in Sao Paulo, a good reason why the city no longer attracts the huge numbers it once did.

Perhaps because the country is on the move so much (although the proportion of immigrants in the United States is apparently even greater), the country has managed to preserve a great deal of racial and ethnic harmony. A large proportion of those who have moved into Sao Paulo in recent decades have black or dark skins. It would be Utopian to state that there is no colour prejudice in Brazil or in Sao Paulo. But there is certainly little within the thoroughly mixed-race working class in the factories of Sao Paulo, where every shade from black to the white of Scandinavian stock can be seen working the same machines.

Such has been the pace of change, and the numbers involved, that society has not had time to solidify into any kind of mould. The only possible exceptions are those proud Japanese who take four times the University places in Sao Paulo that their numbers would justify. But even they are gradually succumbing, and beginning to intermarry in increasing numbers.

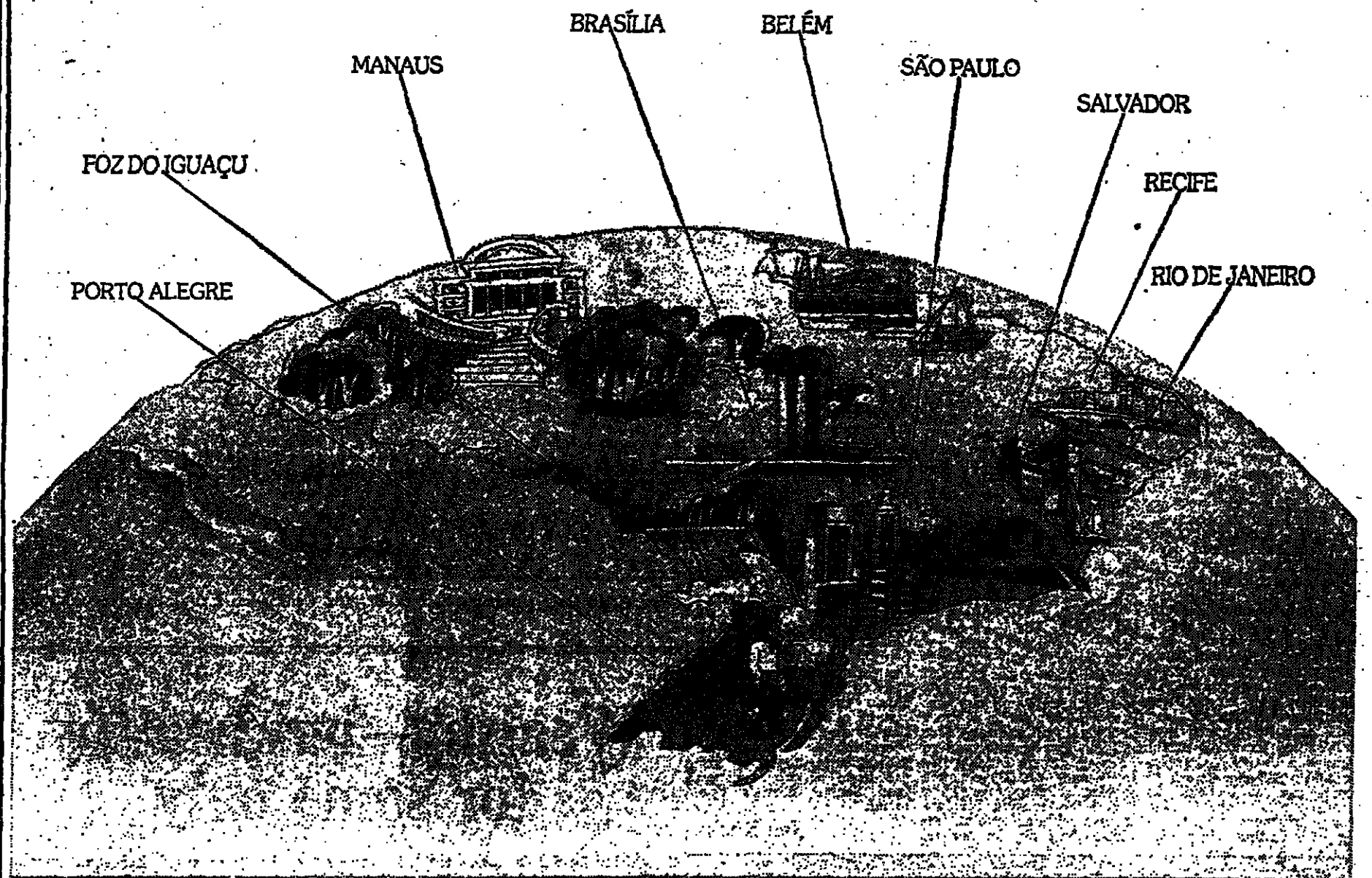
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Migrants from all over Brazil go to Sao Paulo taking with them their customs in food and drink.



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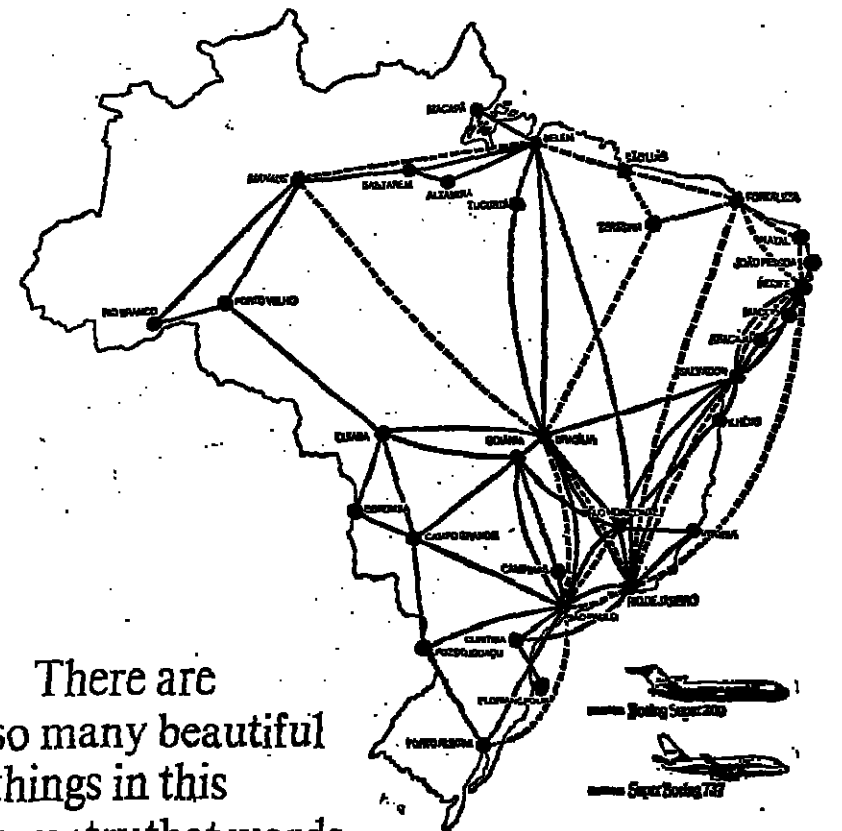
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# Shanty squatters to get real homes

Visitors who fly to Sao Paulo are always amazed by their first glimpse of the city: the massed ranks of skyscrapers, the broad avenues lined by towering glass-fronted office blocks, the spaghetti junctions packed with shiny, colourful Volkswagens, Fiats and Fords. Around the city huge car factories, thousands of smoking chimneys and highways full of heavy lorries contribute to the impression of an immensely wealthy city, vibrating with progress.

It is easy to see why it has been called the "locomotive of Brazil", and easy to believe that Sao Paulo state produces nearly half of Brazil's wealth. What is more difficult to believe is the poverty of the great majority of the people who live in Sao Paulo.

This is the other Sao Paulo—the Sao Paulo of the periphery, of the millions who live in slums, precarious self-built shanty-towns or one-room houses in sprawling developments that stretch up and down the hills round the city. Most of these developments, called *loteamentos*, are illegal (after paying for their plots of land people find they cannot get the title because the developer does not own the land) and therefore officially they do not exist.

This means they cannot be provided with public services such as water, drains, lighting or rubbish collection. They do not appear on the maps. There are 4,000 *loteamentos* in Sao Paulo suffering in this way. According to official statistics, only a third of the city's dwellings have main drainage, while half are still without water (this should drop to a tenth within five years). Half the streets are unpaved, and half unlit. Electricity, however, reaches 95 per cent of homes.

High above the city in his twenty-second-floor office the city's chief planner dreams of the day when Sao Paulo will be finished, when all the population will be served by public services. Senhor Candido Malta—an architect, aged 44, who has headed COGEP, the municipal planning department, for the past five years—looks more like a professor in his baggy suit, rimless spectacles and beard, as he strides between the maps and piles of books that crowd his spacious office.

"Sao Paulo began without planning", Senhor Malta admits. Between the end of the First World War and 1930, the coffee capital of the world grew and industrialized rapidly. When the first road plan was drawn up in 1930, the city already had a million inhabitants. The plan lasted until 1965 by when there were five million.

But the municipal authorities closed their eyes to the city's rapid growth, afraid to face the reality of a swelling population and their needs. It was only when Senhor Faria Lima, took office as mayor in 1965 that the city's huge dimensions began to be taken into account. A new plan, called the basic urban plan, was drawn up. It included an 840km network of expressways to be built in greater Sao Paulo and 600km of mass rail transport, including improved

suburban trains as well as a new underground system. Building of the expressways began, but the mass transport plans were postponed. In 1972 the population had reached nearly seven million, and the first zoning law was introduced.

In 1973 came the world energy crisis. "It's my belief that the oil crisis saved the city", Senhor Malta says. "By 1973 Sao Paulo, still using a road system planned for a city of one million, was on the edge of total traffic breakdown." The transport systems gave priority to the private car at the expense of collective transport.

Brazil's political situation, under an authoritarian military regime favouring intense income concentration as a means to rapid economic development, had boosted the car industry installed in the 1950s. Car ownership was encouraged for the minority who could afford it, while the majority were silenced by political repression. With the oil crisis, Brazil, heavily dependent on imported oil, had to rethink its transport policy, and in Sao Paulo this meant the shelving of many of the proposed expressways and a new emphasis on bus, trolleybus and rail systems.

Then came a slow liberalization of the political system, allowing more space to popular pressure. The growing activity of community movements and residents' groups, inspired by the Roman Catholic Church's active presence in the periphery, slowly led to a change in government priorities, even though public figures are still reluctant to admit they act under pressure.

Senhor Reynaldo de Barros, mayor of Sao Paulo, for example, in a recent newspaper interview that the city periphery was now his priority because "I have a good heart". Sao Paulo city's priority is now people not cars, but lack of government funds threatens the plans. According to Senhor Malta, the accumulated deficit in public services has reached \$42,000m.

But the real problem, according to Sao Paulo's planner, is not the lack of money, but the priorities of the central government. Out of every 1,000 cruzeiros paid in municipal, state and federal taxes by a Sao Paulo inhabitant, only 200 are applied in the city. The rest goes to the central Government treasury to be swallowed up in big development projects, begun in the early 1970s to turn Brazil into an industrialized nation.

At the same time, this industrialization has helped to cause the flood of people coming to the city, swelling the population and the demand for more public services. "The price of the difference between the demand and supply is paid by the poorest social classes", Senhor Malta explained.

In housing, the huge difference between the rich and the poor is most clearly seen. In Sao Paulo city, out of a total population of more than eight million nearly four million live in suburban housing. Some 650,000 live in slums, 870,000 in the favelas (shanty towns) or favela-like housing developments, without public services. The city authorities

are now cracking down on these *loteamentos*, making the developers pay for the provision of public services. The result is a growth in the favela population. Some 730,000 favelas are officially recognized, while new ones spring up overnight.

In the favela, land is free, because it is usually an unused piece of private or public land that has been "invaded". A typical inhabitant, Senhora Eva Lellis, a 40-year-old mother of six who supplements her labourer husband's wages with cleaning work, paid £200 for a three-room home in a favela near the airport. She gets water from a well. The Sao Paulo city authorities, aware that 85 per cent of Brazil's wealthiest city dwellers earn less than £40 a week, is legalizing the illicit housing developments and supplying facilities until the occupants can be moved to very low-cost houses known as "embryos".

These "embryos" consist of one room measuring 4.86 metres by 3.86 metres, with an outside lavatory, and are set in a 75 sq metre plot of land. The residents are expected to build on more rooms. Even these mini-houses have to be bought, rather than rented, provision being made for 25-year mortgages. Government housing policy is based firmly on the owner-occupier philosophy.

Apart from low incomes the main obstacle to cheap houses is the high price of land. In Sao Paulo land is seen as a profitable form of investment in a highly inflationary economy. As a result, 49 per cent of the plots of land in the city, occupying an area of 240 million sq metres, are empty—the owners waiting for prices to increase.

This chaotic state of affairs means that the poor have to build or buy their houses farther and farther out of the city, thus multiplying the cost of public services, and the time spent travelling to work. Those who have money however—and in Sao Paulo there is a sizable moneyed class—live very well. The newspapers carry regular advertisements for luxury flats which have such refinements as fitted 6mm thick carpets, marble-floored bathrooms, maid's quarters, and terraces with panoramic views, swimming pools, tennis courts, private garage space, gardens, and closed circuit television to ensure that undesirable do not enter. Such apartments fetch up to \$200,000.

Senhor Malta is an optimist. He believes that the timid swing to priority for public services will be maintained, and that Brazil's political liberalization must mean the allocation of more money to social projects.

He also has a trump card up his sleeve. The 1980 census showed that population growth has slowed. In Sao Paulo it is down from the estimated 4 per cent a year to 3.6 per cent. This means that COGEP's forecast of a 22 million population by the year 2000 is an overestimate. The smaller growth rate, together with the hope of more money, feed Senhor Malta's optimism.

Jan Rocha



Sao Paulo state produces half of Brazil's wealth, and the city presents a bustling scene that conceals the poverty of the peripheral slums.

## Wealthy—but healthy for some only

To visiting foreign businessmen, Sao Paulo is a bustling dynamic city. The skyscrapers, the flyovers, the smart shopping areas and the large banking centre all seem part of the wealthy, industrialized, modern world. It is easy for visitors to overlook the other Sao Paulo—the miles and miles of roughly-constructed shacks, without running water or drainage, that huddle together to the east of the city.

Disease can spread like wildfire in these unhygienic conditions, where sewage from one cesspool feeds into the well-water of the neighbouring plot. Local families use this polluted water for drinking and washing and, worst of all, for mixing with powdered milk for babies' bottles.

It is not altogether surprising that Sao Paulo had one of the world's highest infant mortality rates as recently as 1973, when 87 out of every 1,000 babies born in the greater urban area died during their first year. As this statistic includes the large upper middle-class suburbs, where living standards and medical services are excellent, the infant mortality rates among the poorer sectors of the population must have been horrendously high.

However, conditions are gradually improving. As the result of heavy investment by the state Government, water and sanitation are being brought to the poor on the outskirts of the city, although the Government estimates that the needs of the city's population as a whole will not be met until the year 2000.

It is calculated that about half of the houses in the poorer areas now have running water, compared with about a third five years ago, and that about a third are connected to the central sewerage system, a rise from a quarter in 1976. As a result of these improvements, the infant mortality rate has recently dropped to 63 per 1,000 live births.

The problem of pollution,

too, is gradually being tackled, though foreign visitors look askance when told that the situation was actually worse a few years ago. Sema (Secretaria Especial do Meio Ambiente), Brazil's environmental watchdog, has taken a gradualist approach, aimed at winning the co-operation of the factory owners. It establishes the average level of pollution in an area and then demands that all factories keep within that level. This policy is achieving results.

However, despite these recent achievements, there is still concern about the health of the population. Many environmentalists believe that the rate of improvement will fall sharply over the next few years. They argue that while the provision of such basic services as running water and sanitation can improve health standards in the short term, a prolonged improvement will take place only if the general living standards get better. This has been occurring only at a very slow rate, if at all.

The latest statistics show that the share of national income going to the poorest 50 per cent of the population fell from 17.4 per cent in 1960 to 14.5 per cent in 1978. At the same time, the proportion going to the richest 10 per cent rose from 36.6 per cent to 50.5 per cent. The growth in gnp during the period ensured a real improvement in living standards for all the population, but the rise was clearly smaller for the poorer sectors.

The outlook for the poor is bleak. The Government is engaged in an out-and-out struggle to cool down the economy, and to force down the growth rate, which reached 8.5 per cent in 1980. Unless special measures are taken to alleviate the social repercussions of the recent measures, living standards of the poor will fall with a harsh impact on their health.

The improvement—or even the maintenance—of social services during the approaching recession does not

seem an important government priority. The Health Ministry, which has long been politically weak, has suffered some of the most violent reductions in the recent rounds of public spending cuts. In 1981, the federal Ministries of Health and Social Welfare will receive minimal increases in their annual budgets of 86 per cent and 61 per cent respectively, which is well below the expected rate of inflation of about 120 per cent.

The Sao Paulo state Government's health department has received even larger cuts in its budget over the past few years. When questioned by journalists recently about the cut in social welfare programmes, President Joao Baptista Figueiredo replied curtly: "The money I have is only enough to pay for Itaipu, Tucuruí (the main hydroelectric projects) and the Steel Railway (to carry steel from the big new project in Minas Gerais). And, make no mistake, if I had more, I would invest it in Carajás (a multi-million dollar mineral project)".

As a result of the cuts, even existing health services have been curtailed. Some of the health posts on the outskirts of Sao Paulo have been closed or put on a skeleton staff. The Hospital das Clinicas, which is one of the largest in Latin America, has a chronic staff shortage, uses obsolete equipment and even runs out of essential drugs.

The poor, encountering increasing difficulties in obtaining medical equipment, are turning increasingly to pharmacists, who readily sell antibiotics and other drugs over the counter without medical supervision, although this is technically illegal. It is very common to find people from the poorer sectors of the population taking strong drugs that are entirely inappropriate for their illness. Brazil has already one of the highest per capita drug consumption rates among developing nations.

Sue Branford

## Schools also serve as soup kitchens

In Sao Paulo state, four million children attend more than 16,000 schools where they are taught by 170,000 teachers. Senhor Luis Ferreira Martins, the Director of Education, runs this empire from a spacious air-conditioned, carpeted office in the elegantly refurbished surroundings of a former college in the city centre.

The director, a dynamic man who did not stop signing documents all the time we talked, told me that in 1981 education will get the biggest slice of the state's budget: \$65,000m, almost 20 per cent of Sao Paulo's total spending for the year, a big improvement on 1980's 13 per cent.

Much of the extra money, however, will go towards trying to improve what Senhor Martins rather euphemistically describes as "low educational productivity due to social factors". In other words, poverty impairs the children's learning capacity, and leads to high drop-out and repetition rates. Out of every 100 children who enter school, only 40 struggle through the entire eight years of the first grade.

In addition many children start school late because their parents cannot afford the books and uniforms they need, or leave after only a year or two because even their meagre earnings as errand or shoe-shine boys are needed. The girls often have to stay at home and look after the younger children while their parents go out to work. As a result 17.7 per cent of seven to 14-year-olds are not receiving schooling.

Most of those who do go to school arrive hungry. Much of the school planners' time is devoted to finding ways to compensate these children for the appalling home circumstances that handicap them in learning. The first solution is to feed them. For some it is the only meal they get, whether it is a full meal, a bowl of soup or just a nutritious snack.

As a result, 1981's official

school expenditure includes items such as 1,500 stoves and 5,000 spoons. For the first time many schools stayed open during the recent end-of-the-year holidays to allow the children to get their daily meal. Last year the feeding programme was extended to night schools where it was not uncommon for students to faint from hunger after coming straight from a long day's work.

Sao Paulo's night schools are ordinary first and grade schools where pupils who have to work, or have reached a certain age, can complete their basic schooling. In many peripheral areas in the capital, pressure on school places is so great that up to four sets of children have to use the same school building every day. In a few schools some children have to share two hours' schooling a day, though the average school day is three to four hours.

An ambitious school building programme is being carried out, with new schools opened every week, but Sao Paulo's population increase of 5 per cent a year means there is a permanent deficit. Once children are in school and are being fed the next problem is to reduce the big gap between their mental and chronological ages, caused by physical and cultural poverty.

Senhor Martins told me about a new programme he has introduced to try to alleviate this problem. Called "compensatory schooling" the idea is to bring children in the poorest areas into school at six instead of seven years old, and allow them two years to complete the first-year curriculum. The aim is to reduce the numbers of children who never get beyond the first year, because they cannot reach the marks needed to move up to the second year.

These problems mean that in the same class the children's ages can range from seven to 14 or more. Compared with some of the teachers in the poorer Brazilian states, Sao Paulo's teachers are well paid. Yet

it is a profession that has consistently lost prestige as wages lagged behind the cost of living. More than 90 per cent of the teachers are women, and most have to give classes in more than one school to make ends meet. The better qualified are creamed off by the private schools that provide 10 per cent of the education for Sao Paulo children.

Ironically, it is the academically better qualified children from the private schools who then go on to win almost all the places at Sao Paulo's three free state universities. If a state school child finally struggles through to university he will have to pay for his highest education by getting a job and going to a private evening or weekend college course.

A university diploma still means status, although it might no longer mean a job. Every year Sao Paulo's universities turn out thousands of would-be lawyers, engineers, journalists, psychologists who end up as office workers because the economy cannot absorb them. But every year thousands of new students take their places.

There are 506 institutes of higher education in the state of Sao Paulo, 143 of which have found higher education a profitable enterprise. A student at one of these private universities said she had to pay more than \$3,000 registration fee to continue her second year of studies, as well as a monthly fee of \$130. For this she received three hours and 20 minutes of lectures five nights a week, in classes of 150 students. In 1979, out of almost 400,000 students enrolled in colleges, only a fifth were located in the capital and at scattered faculties in the interior.

J.R.

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# Church is one of main forces for reform

In recent years the Roman Catholic Church has become one of the main forces for reform in Brazilian life, criticizing the Government for the direction of its economic policies and calling for greater social concern. One of the places where it has been most active has been Sao Paulo.

This is partly because of the position of Sao Paulo in Brazilian life, as the place where most of the money is made and where ideas are generated; partly because of its vast city, growing all the time, encompassing so many of the problems of poverty, lack of housing, malnutrition and sheer misery that afflict Brazil as a whole.

Partly, too, it is a matter of the personality of Cardinal Paulo Evaristo Arns, the Archbishop of Sao Paulo. Cardinal Arns believes strongly that the type of capitalism practised in Brazil leads to injustices for workers and the poor, and he has been prepared to throw the weight of the church behind them in conflicts with the Government.

Last year, for instance, the church backed a strike by metalworkers in the Sao Paulo area that the Government eventually succeeded in breaking; and there is unofficial church support for the newly-formed Workers' Party, which has much of its strength in the same area.

The Brazilian church has long been one of the leaders in the move, which began in the 1960s, towards greater involvement in social questions on the part of the church in Latin America. In Brazil this social concern was spurred by the military coup d'etat of 1964, which led to repression and to continuing hardship for the poor, in spite of the economic miracle.

For Latin America as a whole, it culminated in the meeting of bishops in Medellin, in Colombia, in 1968 when the church publicly declared itself on the side of human rights and social justice. This policy contrasted with the long-standing tendency of church leaders in Latin America to side with the forces of conservatism, as a pillar of the established order. It meant that in Brazil and elsewhere, the church was to find itself increasingly in opposition to military governments.

There have been two main areas on which the Brazilian church has focused human rights violations such as arbitrary arrest and torture, and the needs of the poor and underprivileged. In recent years human rights have improved a great deal in Brazil, and so more attention is being paid to purely social questions.

But human rights continue to be a concern of the Sao Paulo archdiocese. There is a committee for the defence of human rights in the countries of the Southern cone — Argentina, Chile, Uruguay and Paraguay — and it publishes a magazine, called *Clamour*, in which it gives information on developments in the various countries and campaigns for improvements.

One of the main innovations of the Brazilian church has been the establishment of the "base communities" or *comunidades de base*, designed to help ordinary people to improve their lot. The movement began in Sao Paulo and there are now estimated to be more than 500 in the city alone, with others in the surrounding districts.

The fundamental idea of a base community is that it is a small group of lay people — anything from 10 to 100 — who get together as a pressure group. They are encouraged by the church, but the intention is that they should meet of their own in the evenings after work, or at weekends, and set about resolving the problems of their particular area.

There is plenty to occupy them in Sao Paulo. It is a large, sprawling city, and public facilities have not kept up with the constant growth of population. Many of the outlying districts are little more than wastelands, far from the white skyscrapers of the city centre. Typical complaints of the people who live in these areas, which the base communities try to do something about are that there are no paved streets, no streetlights, no running water, or no drains; or that there are not enough buses into the centre, no health facilities, and no possibility of moving out of a shack in a shanty town to a proper house.

Sometimes the base communities organize demonstrations to dramatize their grievances, sometimes they make up a delegation to go and lobby some official. When there is a big issue to be tackled they try to pool their resources and coordinate the activities of several groups.

The origin of the base communities is Christian. Their activities include discussions of biblical themes, and how to relate biblical teaching to the problems of daily life. But as they have become more active, they have inevitably become political to a certain extent, and there are objections to them for that reason, not just from the Government but from more conservative-minded churchmen as well.

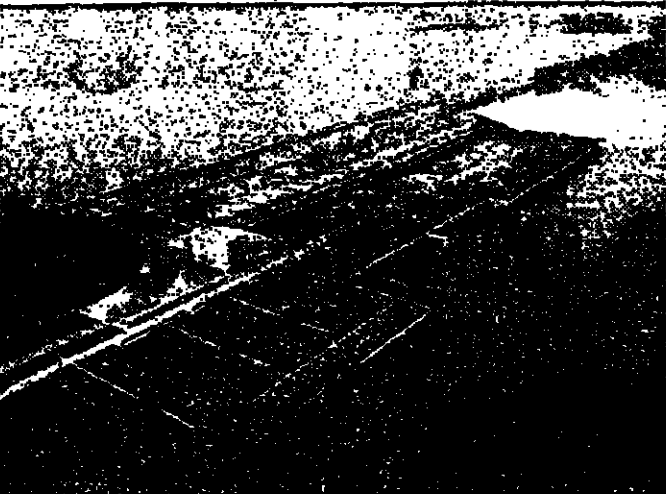
When the Pope visited Brazil last year there was some hope in these areas that he would rebuke the church activists on the ground that they were becoming too much involved in politics. But in the event he was clearly struck by what he saw of the poverty of much of Brazil, and fully endorsed the activist approach.

Peter Strafford



Woman in a Sao Paulo shanty town. Above: children play happily in spite of their surroundings. Top: the Pope and Cardinal Arns with security men in the city last year.

# CESP Companhia Energética de São Paulo



ILHA SOLTEIRA with its 3,200 MW Power installed, is the largest plant of CESP and in Brazil. CESP with 8,291 MW produces today, by itself, 28% of Brazil's electric power.



Item	South America	Brazil	State of Sao Paulo	Participation in South America	Participation in Brazil
Area (km <sup>2</sup> )	17,546,059	8,511,955	247,693	45.5	2.9
Population (1979)	234,925	119,656	23,700	59.9	19.5
GDP (US\$ millions)	315,286.3	156,729.2	55,611.0	49.5	37.4
Industrial Production (US\$ millions)	—	58,668.0	27,466.0	—	46.8
Electric power production (GWh)	195,852	106,534	33,985	54.4	33.7
Power consumption (kWh/capita year)	873	828	1,605	—	—
PIB/capita (US\$)	1,348.3	1,308.8	1,516.6	—	—

SOURCE: Social-Economic Progress in Latin America 1980—Report 1979  
—Brevet Comentarios sobre la Situación Electromagnética en los países de la CIER.

## COMPANHIA ENERGETICA DE SAO PAULO—AN EXAMPLE OF THE BRAZILIAN EXPANSION IN TIME OF CRISIS

Year 1980 registered once again a strong presence of C.E.S.P. in the money-market credit borrowing operations, with contracts signed for the amount of US\$300 million; US\$200 million was taken from French banks and US\$100 million from Swiss banks.

With these funds the Company starts a large construction programme of new power plants for a total of 2,920 MW, nominally, Porto Primavera, Rosana, Avandava and Taquaruçu. Also included is the Três Irmaos dam and the corresponding Pereira Barreto channel which will increase the firm power of the plants complex situated on the confluence of Paraná and Tietê rivers besides making possible the installation of 1,000 MW more on end of Três Irmaos.

It is interesting to take note and study the performance of this Company—the Country's main power producer, in view of the apprehensions evidenced due to the high Brazilian indebtedness level, i.e., a foreign debt the gross amount of which reaches at present 55 thousand million Dollars for a net debt of 48 thousand million Dollars.

## THE COUNTRY'S PROSPECTS

It is always surprising to see how obstinately Brazil pursues development, trying to make the least possible concessions to the recessive trend of policies followed by principal world's economies.

It seems clear that the Brazilians are fully aware of the problems they are facing today due to their foreign debts, inflation and the necessity to change their internal revenue-distribution outline. But, on the other hand, the country chose definitely and coherently the option to lay its bet on development and exploitation of the immense potentialities existing throughout its large territory. These comprise both the agricultural and mineral aspect, completed by a population 120 million inhabitants strong and which will have to be gradually incorporated into the economic process, thus assuring a frank expansion of the consumer market, whose limits are far from having been reached.

It is perfectly comprehensible that high economic expansion rates—above 5-6%—are tried to be kept, at moderate rates, around 3%, would mean a zero growth in social terms, since the population growth is 2.8% per annum. This enforces the necessity to create yearly more than 1.5 million new employments. The Brazilians are showing with every day which passes that they are firmly conscious of the fact that, having their country's potentialities, the biggest challenge they face is to diminish progressively and consistently the economic and technological gap which separates them from industrialized countries by maintaining its growth in this recessive period.

The problems to be faced are many, enormous and above all complex. One of the most important ones, due to the effects it causes on the economic performance of the country is the inflation pressure responsible for a yearly index of 100% in the second semester of 1980.

One of the causes is doubtlessly due to high investments necessary to give continuity to the economic growth in a world's economy recessive period. The second cause may be found in the "inflation imported" from other countries which supply capital goods and raw material at constant price increase to which is added the inflation transfer brought about by the foreign debt. The amortization of the latter started to include apparent interest rates which, being on the interbank rates level in the height of 15-20%, are incorporating the inflation of industrialized markets, increased by positive financial interest.

Another external factor, perhaps the chief factor, lies in the petroleum importation account which increased from US\$0.71 in 1973 to US\$5.3 in 1979, and finally to US\$10 thousand million during the last year, as if a 50% tax would have been assessed upon all Brazilian exports. This aspect is particularly burdensome for Brazil, which depends by an 83% on imported petroleum, representing 43% of total power consumed.

This situation in which the subjection of power appears as one of the most important parameters gives a special emphasis to the performance of C.E.S.P. as a Company turned to the general power field of action, due to her demonstration of flexibility and promptness of Brazilians to respond to challenges they meet.

## C.E.S.P. EXPANSION LIMITS

The Brazilian power sector is today responsible for almost 30% of the Country's total power needs, generating, in 1979, 124,673,000 MWh, of almost exclusively hydroelectric origin (95.5%), and thus autonomous and permanent.

To this privileged feature it may be added that with the installed 24,137 MW the Country is only using 11% of its hydraulic availabilities estimated in 213,000 MW. Other 26,300 MW are now in construction with special emphasis to the Itaipu plant, bi-national design between Brazil and Paraguay, which will have 12,500 MW final power.

In this context, C.E.S.P.—Company owned by the State of Sao Paulo—holds the position of the main power producer. C.E.S.P. power plants sum up 8,291 MW which generate 28% of power produced in Brazil, covering 74% of the overall needs of this State which is the Country's principal industrial production centre.

The Government of the State of Sao Paulo started its action in the power sector by creating several companies which embarked upon the exploitation of different basin potentials: U.S.E.L.P.A. (1953) on the Parana-panema river, C.H.E.R.P. (1955) on Pardo and Tietê rivers, C.E.L.U.S.A. (1956) on Parana river, C.O.M.E.P.A. (1954) on the Paraíba river. On 5th of December 1966 these Companies and 7 other Companies merged in order to organize C.E.S.P., a Company of Sao Paulo State Government, associated to E.L.E.T.R.O.B.R.A.S., a Federal Government Holding and Planning Company on the power field. In 1975, C.E.S.P. assumed the shareholding control of Companhia Paulista de Força e Luz, former American Foreign Power Co., which had been assumed by E.L.E.T.R.O.B.R.A.S. in 1965.

Today, C.E.S.P. distributes power, together with her subsidiary company, to 73% of the State's area, serving more than 1,600,000 consumers. Its transmission system amounts to 17,551 km, 6,237 km of which are high tension of 460 kV and 8,514 km, 138, 230 and 345 kV.

The capital stock amounts to Cr\$75,372 millions (US\$1,205.6 millions) and the net assets to Cr\$220,571 millions (US\$3,528.0 millions). The main investments are distributed as follows: hydroelectric central stations, Cr\$14,788 millions, transmission systems, Cr\$4,700 millions, power distribution system, Cr\$1,200 millions shareholding participation in affiliated Company, Cr\$750 millions.

The Company's dynamic expansion throughout the 14 years of her existence meant that C.E.S.P. quickly occupied the areas allotted to her. For the future, once the works now started come to an end, no significant hydraulic potentials remain within C.E.S.P. territorial sphere of action, which would reduce the expansion capacity.

Meanwhile, due to the eruption of the petroleum crisis and facing hydraulic potential exhaustion prospect in the State's area, Centrais

Elétricas de Sao Paulo, had its corporate purposes broadened in 1977, changing its name to C.E.S.P.—Companhia Energética de São Paulo and extended the studies and activity field also to other power generating areas.

## THE START OF A NEW EXPANSION PHASE

The fact that the State of Sao Paulo represents 47% of the Brazilian industrial product, forces the Government to transform its worries about power solutions which became necessary, into an active and concrete participation. It is besides known that our Governor, Paulo Maluf, an engineer and dynamic businessman, intends to put into practice a greater participation of States, Counties and private sector in the solution of problems and in the social and economic development, inasmuch they assume more responsibilities, a necessity today defended by many segments of Brazilian politics.

Following this line, the State's Government opened new prospects for a Company which was already worried about the future, embarking upon a pushing and not very orthodox policy for an electric power company creating and developing a set of varied options to act upon in the power field of activity, which may be summed up as follows:

1. Hydroelectric generation: Actual start of remaining hydraulic works (2,920 MW); additional motorization of new designs for end power supply; preparing of integral power and water supply designs for the Sao Paulo metropolitan region including pumped storage construction.
2. Distribution: C.E.S.P. is now studying to purchase from the Federal Government the LIGHT de Sao Paulo system, representing about two-thirds of the former Canadian Company, as well as its subsequent integration. The whole complex will then represent about 38% of the Country's power distribution market.
3. Petroleum: Following an initiative of the State Government, C.E.S.P. and Instituto de Pesquisas Tecnológicas (Technological Research Institute) of the State of Sao Paulo formed in 1979 a Syndicate called PAULIPETRO, with the purpose to carry out petroliferous prospecting in risk areas. On contract from PETROBRAS in the sedimentary basin of Paraná, they comprise several Brazilian South States and are little known due to prospecting difficulties resulting from basaltic flows which render seismic researches complicated.
4. Power generation alternatives: Within the promissory field to obtain fuel and biomass C.E.S.P. assumed the development of methanol directly from wood. Bringing the much commented programme into practical reality, the Company leaders decided upon a construction of three semi-industrial gasification units for a 100 tpd methanol production each. With the completion of these units within the next 18 months, the Company plans to offer the Country tested and appraised technological options along with an optimization of economic and power yields. In the stage, now popular in C.E.S.P., this would be "giving legs to wood", a highly interesting programme for Brazil as it offers an alternative to the sugar cane-alcohol programme, since: wood may be grown in less noble soil without displacing food production; its exploitation is not depending on harvest time and, above all, methanol offers the possibility to be used both in Otto and Diesel cycle engines.
5. One 1,800 km fluvial navigation way: Last but not least, it is interesting to observe the projection of C.E.S.P. acting in geo-political sphere when thanks to the policy to erect navigation locks in Tietê and Paraná rivers dams, C.E.S.P. is about to transform into reality a long desired aspiration, that is, to connect Sao Paulo with the River Plate Basin by fluvial navigation. In fact, within 3 to 4 years, C.E.S.P. will be in conditions to offer to the State and to the Country a frankly navigable 1,800 km long way which will permit the hinterland's access to the principal South American industrial area. For the time being, 273 km are already operable being used inside the State for the transport of sugar cane meant for the production of alcohol. It is valid to expect, on long term, commercial and industrial effects, as well as on transportation economy.

## A LESSON UPON WHICH TO MEDITATE

For economic and social analysis, Brazilian policy and within this policy the particular example of C.E.S.P., raises some points which ask for a more extensive and deep contemplation.

In the sphere of international politics and developed blocks interests, the economic policies admitted, at best, that the petroleum crisis and its effects on the financial-commercial system had as their main victims the countries elegantly called "in development", which depended on petroleum importation.

Entangled with their own problems, the industrial countries and the O.P.E.P. block were so far unable to outline a new order in the financial and commercial flows which could offer marginal countries a reasonable chance to develop. Thus the surplus generated within the sphere of O.P.E.P. returns to the developed areas through the latter's bank system, collecting the results margin on adjustments and even by means of direct investments, either as shareholding participation or investments in real estates or long term securities. The burden resulting from cost increase is transferred to the other countries in their importations, not only of petroleum but also of other goods and raw materials, loans and credits at ever shorter times and higher rates. To compensate this, there are, of course, the concern and the substantial comprehension of numerous analysis, studies and conferences.

Within this context, Brazil appreciating its already expressive position in the world economy (the 10th according to P.L.B.) has no intention to accept, with all its potentialities, a passive position of a simple corollary in the equation of developed economies and petroleum producers.

Making priority investments in the power sector, hydroelectric power generation, petroliferous prospecting, biomass and coal, the Country tries to get ahead in the feasibility of its more autonomous industrial future with regard to its power supply; and what is even more important, it tries to depend less on exhaustible resources, as is petroleum. Giving emphasis on the hydroelectric development, the Country must lay stress upon its electrification, not only because unexploited hydraulic resources are available, but also because it understands that the main and most definitive power vector, the one yielding the best overall result, is, precisely, the electricity, whichever may be the primary source used for its generation.

There is, therefore, a long term strategy which is about to keep up the sacrifice made at present in an unfavourable contingency: in a time in which the inflation and the high cost of the foreign debt force the Government to turn, as much as possible, to internal saving by way of duties and by means of increment of the agricultural and industrial production.

Apart from the difficulties, it is worth mentioning the agility with which Brazil went to find an equation of the realistic power alternatives, trying to make use of the potential synergy of inevitable investments. Thus parallel areas are developed, such as, for example, the fluvial transport and, as in case of CESP, the created structure is being used, expanding its generating potentiality to other fields, as in case of methanol and fluvial navigation.



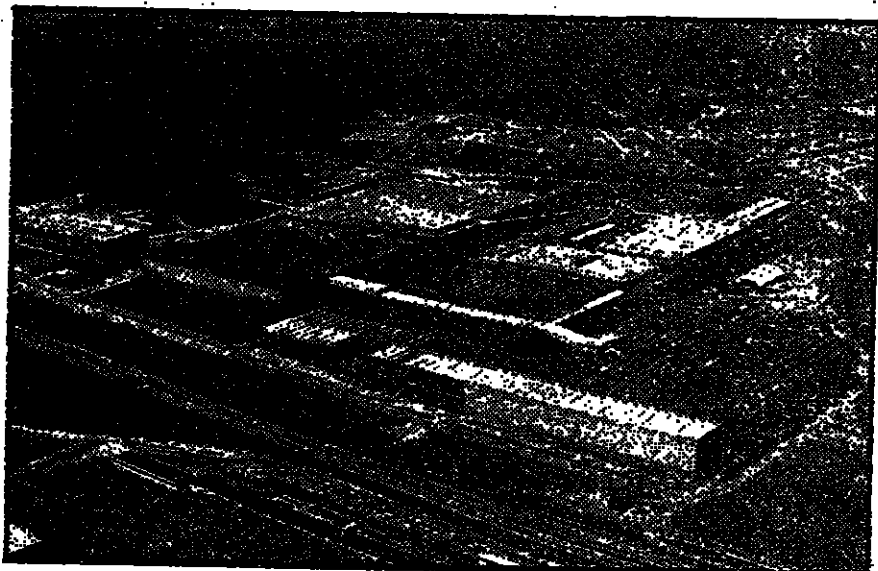
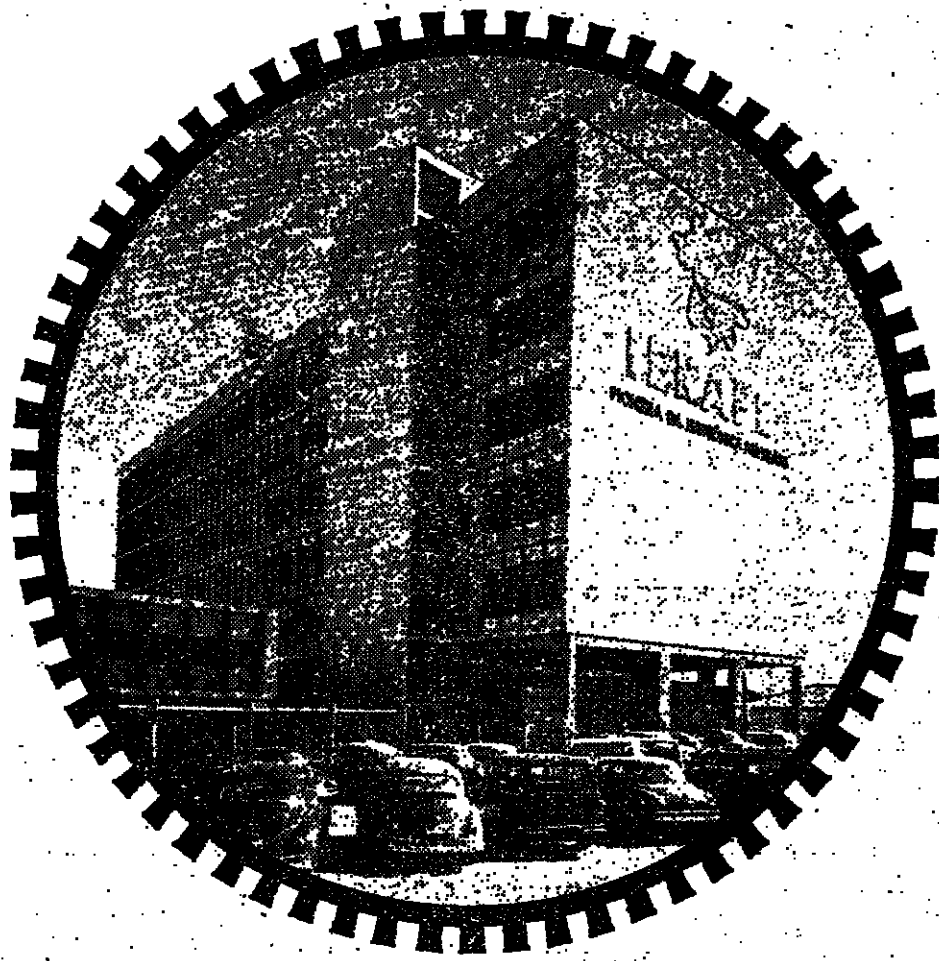
# The state of São Paulo

## Look at some of the facts....



São Paulo

**MANUFACTURING:** Manufacturing industry continues to show rapid growth - 8.1% in 1978. Manufactured goods, including developed technologies, now represent 40% of Brazil's total exports and exceed those of primary products.

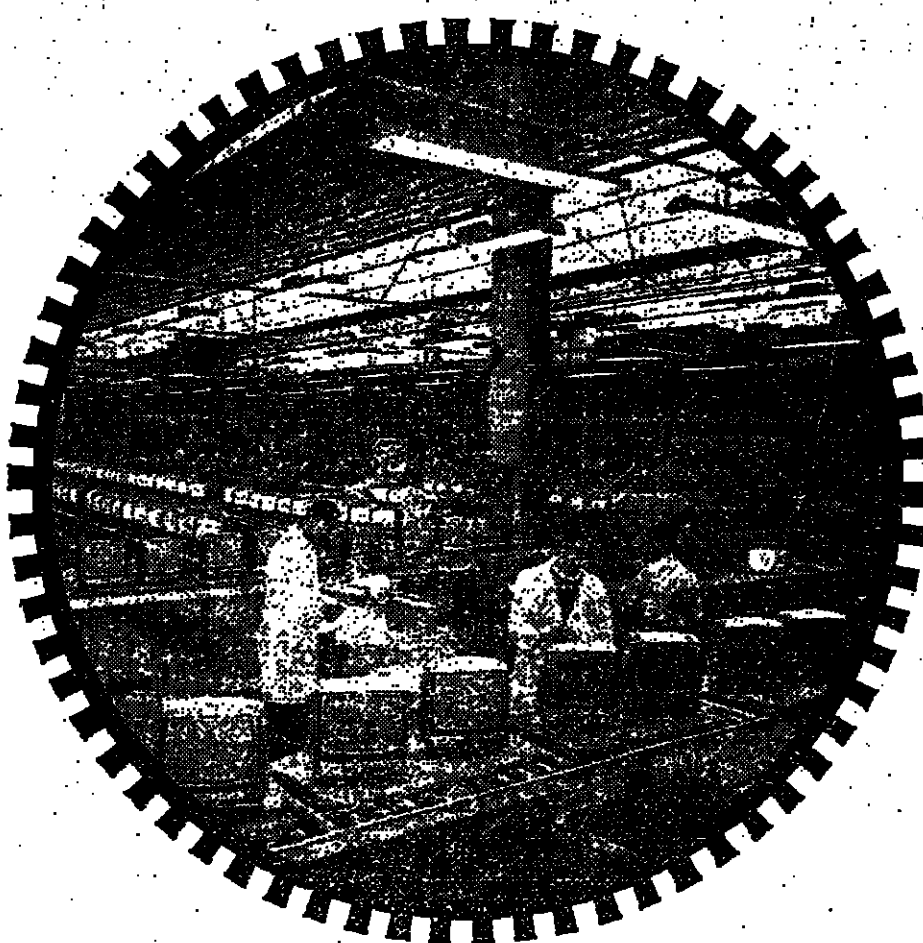


**INDUSTRY:** The State of São Paulo is the leading industrial zone in Latin America. Sectors of the economy currently receiving priority include petrochemicals, electronics, capital goods, fertilizers and paper manufacture. Steel production now puts Brazil 10th in the world, showing a 10% growth in 1979.



**AGRICULTURE AND FOOD PRODUCTION:** Processed food exports totalled US\$ 1.475 million in 1978. Brazil is 95% self-sufficient in food (except wheat 46.6%). São Paulo plays a major role in its production where exports include cotton, cocoa, coffee, maize, citrus fruits and juices, soya beans, sugar and tobacco. São Paulo is one of the world's largest exporters of frozen citrus juices and a major food processor.

**TRADE:** The wide range of manufacturing and industrial capacity in the State of São Paulo has been a major contribution in the success of exports. The E.C.C. has now become Brazil's leading trade partner, both in exports and imports.



**SÃO PAULO CITY** - an historic city with dramatic growth. The State capital has a population of 8.584 million (Population of Brazil is 119 million - 1980 Census). By the year 2000 São Paulo could be the world's largest city.



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